BANKING

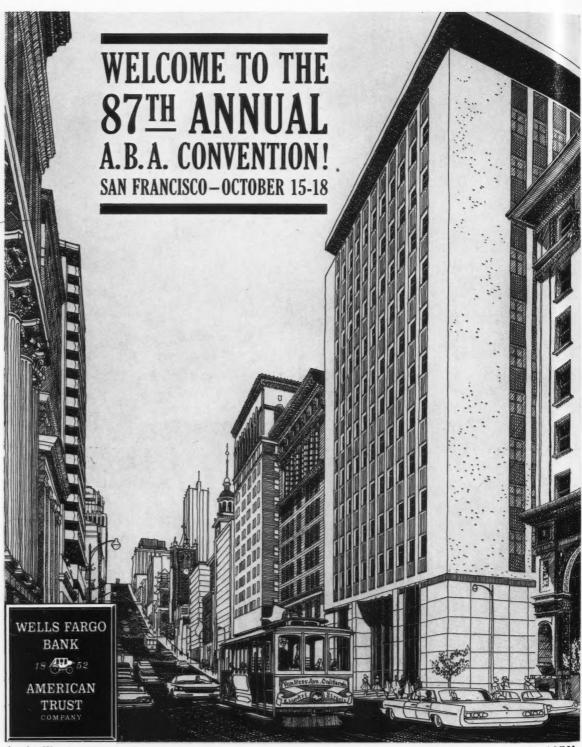
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

0CT 18 1961



San Francisco - Site of the 87th Annual A.B.A. Convention (Points of interest circled, see page 185)

Annual Report and Pre-Convention Outlook Issue



As the West's oldest bank, we've called San Francisco home since it was a raw Gold Rush town in the 1850's. It is still an exciting city. We hope our special convention plans will add to your pleasure. Visit the Wells Fargo History Room, 22 Montgomery Street • See "Banking in the Round" at our Crown Zellerbach Office, Market, Sansome and Sutter Streets • See our new Head Office under construction at 464 California Street.

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October 1961

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In This Issue

Convention Special

THIS is BANKING'S Annual Report and Outlook Issue, published, as has 1 been our custom for many years, on the eve of The American Bankers Association's convention. The contents offers an extra dividend in practical reading-articles, statistics, opinions, reviews of events and trends in the banking and business world. There is (also as usual) a special section on the 87th annual meeting in San Francisco, Oct. 15-18.

Geofinance U.S.A.

THE October instalment of "Geofinance—Banking's New Dimension," by the editor, reviews the growth trends in transportation, industry and population, components of a modern economic revolution. Their financial prospects include, says the article, "greatly increased spending for schools, water, sanitation and all public works," unusual opportunities for banking growth and leadership.

"The business of watching where you're growing," it points out, "involves a number of things." Two of them are examined: the banker's part in the rising volume of public works, and his part in that new industrial revolution.

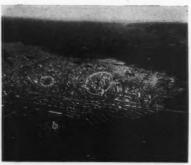
What's Wrong With Your Bank

CHECKLIST for bank self-appraisal is offered in this issue by R. A. Bezoier, A chairman of a subcommittee of the A.B.A. Bank Management Commission which worked out the revealing questions. They are in several categories. You can make a game of answering, and set up your own "balance sheet." The next step, of course, is to take the necessary action. See "Know What's Wrong with Your Bank" (page 141).

The Age of Automation

PITY the poor Babylonian corn factor, he had no computer! He did his accounting on a notched stick.

Any connection between that reference and the convention is quite intentional; in fact, it's used by Leslie Waller in starting you on his review of the displays of banking equipment and services which, under sponsorship of BANKING, have attracted bankers at many A.B.A. conventions during the past quarter century—and will do so again at San Francisco. The period they cover, needless to say, has seen the mightiest revolution in banking methods. Mr. Waller's report is on page 202.



AERO PHOTOGRAPHERS

CONVENTION TOWN

The large circle marks the area in which many of the San Francisco hotels are located. The smaller spots the site of Convention Hall where many of the meetings will be held. See map of the city on page 185. The cover photo was supplied to BANKING by the San Francisco Port Authority

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Chicago Office, 33 South Clark Street, Chicago 3, Ill.; Washington Office, 730 Fifteenth St., N.W., Washington 5, D. C. Subscriptions: \$5.00 yearly; Canada, \$5.50; Foreign, \$6.00; single copies, 50 cents. Publication office, 10 Ferry St. Concord, N. H. Second class postage paid at Concord, N. H. With the exception of official Association announcements, The American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING'S Investment Forum

What's Ahead for State and Local Finance?

An expert in state and local borrowing ponders the provocative question of whether 1962 tax-exempt sales will top the record \$8-billion mark.

As the year moves into its final quarter, certain aspects of state-local borrowing and the background fiscal activity become somewhat clearer. On the basis of the first eight months, it is evident that 1961 will see state-local long-term borrowing at least close to the record high, with the possibility of a new high for loans secured by the full faith and credit of the borrower. Accompanying this is the prospect that tax-exempt bond sales in 1962 will continue at a high level, possibly topping \$8-billion for the first time.

At the same time that the states and their local governments continue to make vast investments in public improvements, increasing attention is centering on other developments that have a bearing on the ability of state-local government to finance its responsibilities. Allegations now appear with some frequency that state and local debts are approaching excessively burdensome levels, while underwriters of "municipals" voice concern about the size of their bond inventories and the recurrent glut of the market that occurs when invitations for bids on new municipal issues crowd the new offering calendar.

The results of the 1960 population census, still in process of publication but by now available in considerable detail, emphasize that the problems of urban blight are real impediments to WADE S. SMITH

Mr. Smith is director of municipal research of Dun & Bradstreet, Inc.

economic and fiscal progress and that the cores of the large, old cities demonstrably suffered badly in the 1950s in competition with the suburban communities.

Moreover, experimentation with new borrowing and financing devices, mainly in evasion of existing constitutional and statutory restrictions on the fiscal powers of state and local governments, continues with little sign of abatement. This article will consider the prospects in the year ahead for these and closely related factors.

A New High

State-local long-term borrowing appears to be heading for a new high this year. For the first eight months, according to *The Daily Bond Buyer*, sales of record exceeded \$5.5-billion, compared with just under \$5.2-billion in the corresponding 1960 period and just over \$5-billion in the first eight months of 1959. Public housing authority bonds were lower than in either of the two prior periods (\$163,-000,000 compared with \$260,000,000 in 1960 and \$231,000,000 in the 1959 periods) while revenue bond sales were just over \$1.6-billion compared

with just under \$1.7-billion in the year-earlier period and \$2.1-billion in the first eight months of 1959.

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Sales of obligations other than for housing and of revenue bonds were thus up to \$3.7-billion from \$3.2-billion in the first eight months last year and \$2.6-billion in the 1959 period. The total for the full year 1960 had been \$7.2-billion, divided \$407,000,000 housing authority bonds, \$2.2-billion revenue bonds, and \$4.6-billion other bonds.

The high for all long-term tax exempts had been \$7.7-billion in 1959, while the high for the components on a full-year basis were: housing, \$502,000,000 in 1955; revenues, \$3.2-billion in 1954; and "other," \$5.5-billion in 1958. Activity during the last four months of 1961 would have to be somewhat better than the final four months of 1960 to push the 1961 total above the \$8-billion mark, and establish a new all-time high, but activity at the 1959 level would more than achieve that result.

A Question Raised

These figures are impressive, but considered against the background of informed expectations as to prospective state-local loan requirements they raise a pertinent question. Since the mid-1950s competent authorities have anticipated with virtually no exceptions that state-local borrowing would continue upward, with a \$10-billion per year level by the early 1960s a strong likelihood and a \$12-billion to \$15-billion top likely to be passed in the later 1960s or early 1970s.

Yet for three successive years the volume has held in the \$7-billion to \$7.7-billion range, and a topping of the \$8-billion mark remains to be accomplished even with 1961's strong beginning. The pressure is undeniably there, in the form of admitted need for public improvements as well as the willingness of voters to approve loans. Then why the failure to break the \$8-billion barrier?

The answer must lie in other directions than the cost of loans. Statelocal borrowers do respond to "favorable" rates in timing their sales, but observers are pretty clear in the opinion that except for some revenuebond financed undertakings that are financially marginal to begin with, interest costs are not a major determining factor in making the decision whether to borrow or not borrow. Moreover, although effective net interest rates have been higher this year than in many recent years, they have been lower than they were in much of 1959 and 1960, and the curve in 1961 has been remarkably flat. The Bond Buyer's 20-bond index (which represents the yield on 20 representative bonds of 20-year maturity) has in 1960 moved in the 3.25% to 3.54% range, compared with a range of 3.27% to 3.78% in 1960 and 3.26% to 3.81% in 1959.

Partial Answer

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However, the statistics on yield fail to disclose the market "psychology" that may hold at least a partial answer to why borrowing has failed to follow the expected trends. Dealers' inventories of tax exempts, as disclosed by advertised bonds in the Blue List, have been at levels which the dealers at least have regarded as uncomfortably high. Bonds on the Blue List reached an all-time high of \$522,000,000 in May, in fact, and in most weeks since have held well above the \$400,000,000 level.

It may well be that inventories at such levels are to be regarded as "normal" as the volume of new issues rises, but at present they undoubtedly contribute to the market gluts that develop periodically when the calendar becomes crowded with many large offerings, resulting in the cutting of prices to reduce inventories and a backing off of borrowers until prices rise somewhat. In the light of inventory and bidding performance, it may well be that the market is handling about as much tax exempt volume as it is presently equipped to handle.

The problems of marketing municipals are of course in part unique, since the exemption of interest on these bonds from Federal income taxes, and in certain cases from certain state taxes, restricts the market to individuals and corporations to whom this tax exemption is of value. Additionally, municipals are sold and

traded "over the counter," with one consequence, as others have pointed out, that there is a paucity of information about trading in these securities except at the new offering level. The forthcoming S.E.C. studies of the over the counter markets could produce information that would be extremely useful in getting at specifics of tax-exempt bonds marketing problems, and the coming year conceivably could see available comprehensive data that would form the basis for a strengthening of present marketing machinery for tax-exempt bonds.

It might not be too much to hope, also, that in conjunction with the studies the exchanges might consider, at least experimentally, the listing of bonds of some of the larger, stronger, more frequent issuers of tax exempts; a move that would appear to cope directly with the problem presented by the tendency of the secondary market in individual issues of municipals to be sluggish and at an uncertain price level relative to prevailing money market conditions.

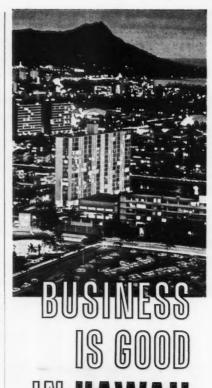
Are Debts Too High?

As we have seen, the level of new state-local long-term borrowing is presently not as high as most observers expected a few years ago that it would be by this time. Nevertheless, comments are frequent that the level of outstanding debt is too burdensome and that service charges are approaching excessive levels. Taking for granted that use of the public credit is to be made prudently and judiciously, and that exceptions to good practice are to be found, there seems to be little actual substance to the charges as generalizations.

Carrying charges on state-local debt are certainly not "excessive" at present by any historic standard. For example, interest on general state debt took better than 4% of general revenues in the late 1920s and early 1930s, compared with from 1% to 2% since 1950, while for local government interest on general debt represented from nearly 9% to 11% in the earlier period compared with 2.5% to 3.3% since 1950.

The preliminary summary of governmental finances in 1960, recently released by the U.S. Bureau of the Census, indicates that interest and redemption on general debt in fiscal 1960 was on the order of 10% of gen-

(CONTINUED ON PAGE 8)



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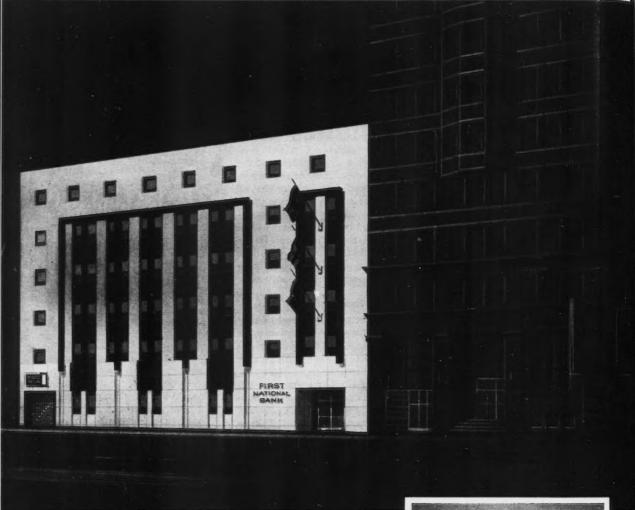
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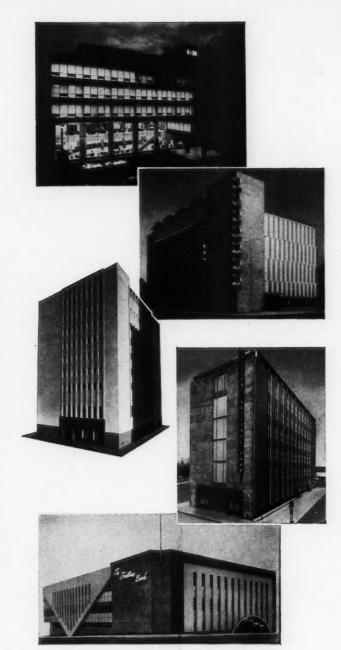
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eral revenues—a little over 10% for the states and a little under that figure for the local governments. In terms of Gross National Product, the burden of carrying the present debt is also well under earlier levels—interest alone represented only 2% to 3% of the GNP since the late 1950s compared with above 6% in the later 1920s and 11% to 12% in the early 1930s.

Politics Involved

Notwithstanding the facts, there is undeniably considerable agitation to the effect that debt charges are too high. Instances of imprudent use of the borrowing power are not too hard to find, moreover, and one does not have to possess a crystal ball to foresee the likelihood that the coming year will find increasing examples where local political campaigns revolve around fiscal issues. To the extent that this results in the hammering out of sound, far-seeing fiscal policies, it will be all to the good: to the extent that it embraces the "meat axe" type of approach to budget and borrowing programs, the results are likely to be more questionable.

The Central City

Municipal officials, investment bankers, and investors have been interested readers in 1961 of a series of volumes carrying the details of the 1960 Census of Population and Housing. Not all the relevant detail has as yet been published, but enough is out to confirm the observation that our large, older cities lost population in the 1950s, unless they took in by annexation large suburban areas.

Reasons for population losses in the cores of our large urban centers are complex, and no simple answer will serve to explain the changes in 1950-60. Changes in land use are undoubtedly an important factor in many cities, as when right-of-way through formerly residential areas is taken for highways and expressways, or for public buildings or commercial or manufacturing use. It seems likely, too, that in some situations occupancy rates for structures at the time of the 1950 census were abnormally high, with such makeshifts as attic and basement apartments understandably abandoned by the time of the 1960 census.

Nevertheless, the population fig-

ures emphasize that the renewal and rehabilitation of the central sections of our old, large cities is a real and not an imaginary problem, intimately linked with municipal economic well-being and fiscal stability. Since publication of the final series of detailed data from the 1960 census is not expected before the end of 1961, the coming year is certainly going to see at least the beginning of intensive study of the recent data, under the impetus of a new concern born of the now evident acuteness of the problem.

To Publish Study

Impetus is likely to be given to these problems by publication late in 1961 or early in 1962 of the first of the comprehensive studies of the Advisory Commission on Intergovernmental Relations, now readying its report on legal restrictions placed by the states on the form and substance of local borrowing. These studies seem certain to emphasize the connection between century-old borrowing regulations and the devious and often ill-conceived borrowing mechanisms being utilized today to circumvent the restrictions, a subject likely to appear in the coming months to be of great concern to investors and students of public af-

One problem in intergovernmental relations, and one of pressing importance in the solution of numerous involving metropolitan problems areas lying in two or more states, remains for full assessment within the coming year. It is the status of agencies organized under interstate compacts. In June 1961, the U.S. District Court for the District of Columbia convicted the executive director of the Port of New York Authority, the largest of the agencies established under interstate compact for the solution of local problems, for contempt of Congress in a case growing out of the refusal of the Authority, pursuant to direction of the governors of New York and New Jersey, as authorized by law, to make available to a Congressional committee certain internal records demanded by that committee.

The conviction was legally necessary to pave the way for consideration of the issues by the U.S. Supreme Court, but the case raises questions that appear central to the effectiveness of interstate compact agencies.

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Treasury Borrowings...Outlook

MURRAY OLYPHANT

THE OUTLOOK for business continues to forecast substantial improvement. There was no summer let-up. The important factors of Gross National Product, industrial production, personal income, and construction expenditures have all more than made up their losses during the recession. The Department of Commerce forecasts a GNP of about \$540-billion for the fourth quarter of the year.

Increasing Government expenditures for defense activities, to say nothing of domestic pump priming, seem bound to stimulate volume.

Surveys of probable consumer demand indicate a willingness to buy heavily.

All in all, there is no doubt that the recession is a thing of the past, the problem now being to determine at what point the threat of inflation will again become dangerous.

For the moment such danger does not seem to be imminent. The Administration, however, has already warned industry by asking it to go very slowly in making any price increases, indicating its awareness of the threat.

Such being the situation, the general uncertainty in the market for Government securities was quite understandable.

Market Uncertainty

A comparison of the prices for Government securities on July 31 with those a month later shows only minor changes except for the longest term bonds.

For the most part, quotations were down from a few thirty-seconds to half a point, but the five longest term bonds were quoted off from 1½ to almost 2 points.

Rumors of a possible advance re-

Outlook

General opinion still holds that in due course the revival in business volume plus heavily increased Government expenditures for defense, as well as domestic programs to decrease unemployment, must sooner or later result in an increase in the cost of credit.

Opinion varies, however, as to when the increase will occur. A sizable group believes that not until next year will the pressure on the credit supply be sufficient to raise its cost materially.

Meanwhile, the market for Government securities drags along without much change in the price level and, except for the heavy volume of transactions in the shortest maturity range, with the amount of trading in the doldrums.

The near certainty that, in due course, prices for fixed income securities will weaken, serves to prevent the purchase of any but the nearest maturities in any volume. This is evidenced by the continued demand for Treasury bills and the fact that only the OMC is a purchaser of longer maturities than a year or two.

But the uncertainty as to when business conditions will alter enough to bring on a decline in prices seems to be a deterrent to current sales. Hence, the very low volume of transactions in the market. So, perhaps, quotations may not change very much in the near future.

However, the fourth quarter of the year is fully expected to produce a substantial increase in business volume, with a concurrent increase in the demand for credit.

It is doubtful that the Federal Reserve authorities will be willing to attempt to supply enough additional credit to fully offset the increased demand. To do so would certainly be to run the risk of the inflationary potential.

Hence, the course of wisdom in the management of investment portfolio would seem to be to continue to keep one's powder dry by maintaining large holdings of early maturing issues.

funding of the longer $2\frac{1}{2}\%$ bonds stabilized their prices and prevented them from declining, as they might well have otherwise.

Some let-up in the volume of new offerings of competitive industrial and municipal obligations probably prevented the sale of Government issues which otherwise might have been disposed of in order to get the somewhat better income available.

Once again, as has been true for months, the main characteristic of the market was extreme inactivity.

Banks still appear to be shortening their maturity schedules as opportu-

nity offers. Buyers of any but the shortest Government issues are few and far between.

It looks very much as if present holders of Government bonds are so uncertain regarding the outlook that they are simply sitting tight, waiting for a more definite indication as to which way and when the cat is going to jump. The "when" being the uncertainty as the "way" is almost surely down.

Moreover, there will surely be a substantial increase in the amount of Government issues outstanding,

(CONTINUED ON PAGE 12)

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(CONTINUED FROM PAGE 10) most of the increase being in the short-term maturity range.

In short, the prospects for price increases are negligible while the prospect for declines is generally felt to be only a question of when.

Interest Rates

The average cost to the Treasury of its weekly rollover of maturing bills is a good indicator of changes in the interest rate.

In spite of the fact that general opinion still believes that higher interest costs are inevitable, there is still difference of opinion as to when this will occur.

For the moment there has been only a limited demand for bank funds. The Federal Reserve authorities are still operating to keep the reserve position of the member banks up to around \$500,000,000 or more and the cost of living index has held quite stable.

Currently, therefore, much of any increase in interest rates does not seem to be likely for some time, although a sharp increase in business volume in the fourth quarter of the

Another Advance Refunding

In a continuing effort to spread out the repayment dates of the public debt, the Treasury has carried out another "senior advance refunding" involving \$7.6-billion, which is the fourth such action since June of last year. In effect, the Treasury made an attractive offer to the holders of 2½% war bonds coming due in 1970 and 1971 by "reopening" three issues of 3½% bonds maturing in 1980, 1990, and 1998 and offering to exchange.

At present, the Treasury is finishing up raising a much needed \$5-billion by selling \$2.5-billion in tax anticipation bills, as well as \$2-billion in notes maturing in 1963. In addition, \$2-billion of regular 1-year bills will go on the block, replacing a \$1.5-billion issue maturing the middle of this month.

year might start the trend to higher rates.

No Change in Policy

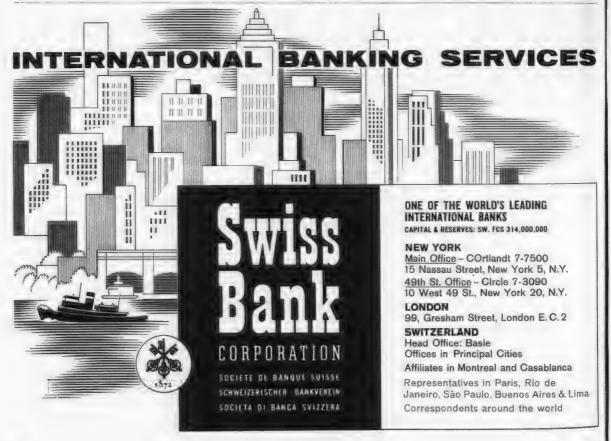
The operations of the Open Market Committee during August were exactly what they have been since the decision was reached not to confine purchases and sales solely to Treasury bills.

Actually the changes, up and down, in the total amount of Government issues held in the Federal banks portfolios result from two factors. The first is simply to offset the

swings in the amount of funds more or less loose in the banking system.

The second factor in the operations of the OMC is to be found in the "market cushioning" effect of purchases of other than Treasury bills.

The net result for the month of August of the OMC transactions was actually a decline of \$310,000,000 in the total amount of Government issues held by the Federal Reserve banks. Of this amount, \$144,000,000 resulted from the elimination of all repurchase agreements in the week ending August 23.



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THE INVESTMENT MARKETS

H. EUGENE DICKHUTH =

ONTINUING world tension leaves the American investment markets in an undecisive mood. Stock prices have moved upward mildly, while slightly higher yields among fixed interest securities caused some drops in bond quotations. There has been no panic, no exuberance. At best, professional attitude can be described as one of caution.

Uncertainties are galore to justify such sentiments. They include the continued investigation into the securities markets, into operating procedures, ethics, and the enormous turnover in small firms dealing in over-the-counter securities. What is also frightening to many old-timers is the flood and quality of unlisted issues which are reaching the underwriting houses.

Many of them are, of course, listed as "speculation" under SEC Regulation A. Quite a few of the businesses seeking the public's money for their operations are brand new. Some of the principals in these enterprises have experience in what they propose to do "publicly;" others just have an idea and some money. Judging from perusal of dozens of prospectuses in the "red herring" stage, there is hardly a field of human endeavor which does not seek public financing.

Strange Bed-Fellows

This is not to say that the majority of new over-the-counter issues is unsound, or that there is no place for them in this country where there are still vast opportunities. But there are a lot of strange bed-fellows in the market such as the man who owns one-fifth interest in the stallion grandson of a famous race-horse, two mares, plus a few acres of land, and proposes to breed thoroughbreds.

Then there is a group of men who want to build a ski-resort in New England, another proposes the construction of motels in the South, still another wants to manufacture more replacement knobs for radio and TV sets. New enterprises in the general

field of electronics are still springing up and are seekers of capital.

In a group by themselves are some Canadians who have leases or mining concessions, or leases just on land which, according to geological surveys, abound in all kinds of minerals. Reading the prospectuses carefully, it must be admitted that all pitfalls are carefully spelled out for the prospective investors. This alone, not to mention the bare facts and antecedents of the principals, makes these documents quite long.

No Lengthy Papers

Human nature is such, however, that very few people read lengthy papers, except lawyers, bankers, and scientists whose livelihood depends on it. The average person with a few dollars to spare had rather listen to a sales talk or read a synopsis contained on one page.

Thus, the spelling out of the pitfalls in 24 pages of print, as a practical matter, is no protection for the public, even though it protects the regulatory authorities and the principals of the business because they can say later in court, "It's all there—can't you read?"

The Fast Buck

The very fact that many new unlisted issues are labeled "speculation" attracts new underwriters and dealers to Wall Street who are more interested in a "fast buck" for themselves than in giving their customers a fair break. Bucketshop operations still flourish and the mortality of brokers and underwriters in this field is very great, indeed.

The danger for the investor who either also wants to make a fast buck or wants to buy a good thing for the (CONTINUED ON PAGE 16)

Investment Portfolio Changes

THE SPIRIT of optimism over ensuing business conditions pervaded the thinking of the portfolio managers of the most important investment companies. This positive approach was not changed as a result of the acute Berlin crisis. On balance common stocks were bought and a rather surprising acquisition of foreign issues continued, based, no doubt, on higher industrial profits abroad and a greater growth of productivity than in the United States.

Most favored industries, domestically, included automotives with Ford leading the parade, the airlines, oils, rails, steels, some metals, publishing, and banks. In addition to Ford, two other leading favorites were Gulf Oil and duPont.

The natural gas industry was generally held in disfavor by most managements. Tennessee Gas Transmission, for instance, was sold by a number of funds and bought by none.

Other securities which did not make the grade of professionals included RCA, CBS, Atlantic Coast Line, Corn Products, Parke Davis, General Public Utilities, Yale & Town, and General Dynamics.

The foreign issues favored were more or less Central European companies—in Germany, Belgium, the Netherlands, France, Italy, and Sweden. In this list are issues such as Unilever, Farben Bayer, Farbwerke Hoechst, Photo Gevaert, Olivetti, Swedish Ball Bearing, Royal Dutch Petroleum, Philips' Lamp.

There was also buying in such British issues as Yardley & Co. Ltd. and Legal & General Assurance Society Ltd. The buying of both foreign and domestic securities, generally speaking, was on a highly selective basis. Funds, too, are becoming more specialized as they grow older and stick to the fields that they know best.

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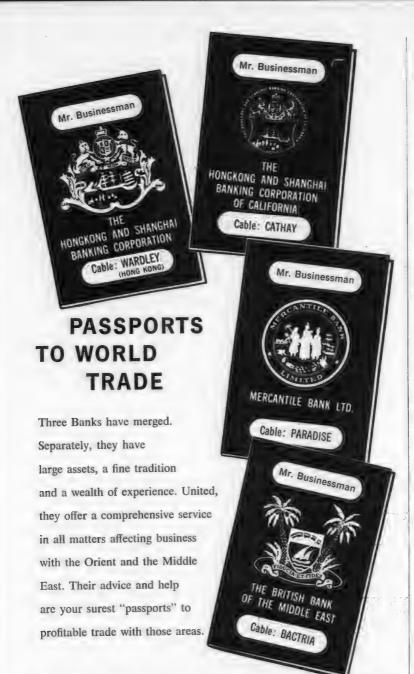
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(CONTINUED FROM PAGE 14) long pull, is obvious. It arises mainly from the ill practice of some underwriters who wash their hands of the issue once the flotation is sold and after they have liquidated their own holdings and those of their friends at a profit. Very few take the trouble of maintaining a market in the stocks which they have placed with the public. Thus, it is no wonder that those in the financial community who live with these facts of life have been somewhat jittery.

Prices Up

August and early September prices of listed stocks crept upward at a slow pace. Defense stocks kept in step with the general move, but they were not singled out as investment favorites. Trading volume was appreciably above 1960 level, both in terms of total and daily averages.

For the year to August 31, the reported share volume on the New York Stock Exchange was 714,218,005, against 512,052,319 in 1960 and daily averages were 4,251,298 shares, compared with 3,029,895 shares last year. Pressures on personnel to keep up with the recording of this high volume of business continues.

New Offerings

New stocks offered to the public in August came to \$80,955,000, compared with \$108,788,000 in July and with \$53,884,000 in August 1960. It represented a cross section of all types of industrial equity offerings.

The underwriting fraternity is conscious of the slight increases in interest rates and bond yields which will boost borrowing costs and will make it more difficult to go to the public markets. Perhaps to counteract the trend, or because of portfolio positions, the Federal National Mortgage Association reduced the rates of interest on short-term borrowings it negotiates directly with investing institutions.

After all is said, done, and analyzed, the underwriting markets should do fairly well for the balance of the year. Even though credit demands are expected to rise with greater over-all activity and higher capital spending, they are unlikely to be of sufficient magnitude to stem initiative or overstrain the money supply, despite heavy Treasury financing between now and the end of the year.

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New board members, and bankers recently appointed to boards of other firms, include:

NATIONAL BANK OF NORTH CHICAGO, Ill.: Herbert S. Wilkinson, vicepresident, Abbott Laboratories, joins bank's board.

EMPIRE TRUST COMPANY, New York, N.Y.: Grinnell Morris, executive vice-president, and Alfred S. Olmsted both become directors. Mr. Morris joined the bank last month after leaving senior vice-presidency at THE HANOVER BANK.

MORGAN NEW YORK STATE CORPORATION, New York: directors of this
holding company in formation include officers of MORGAN GUARANTY TRUST COMPANY OF NEW
YORK; FIRST-CITY NATIONAL
BANK OF BINGHAMTON; LINCOLN
ROCHESTER TRUST COMPANY; ONEIDA NATIONAL BANK AND TRUST
COMPANY OF CENTRAL NEW YORK;
MANUFACTURERS AND TRADERS
TRUST COMPANY; NATIONAL COM-

MERCIAL BANK AND TRUST COM-PANY OF ALBANY; and FIRST TRUST & DEPOSIT COMPANY.

SECURITY BANK AND TRUST COM-PANY, Miami, Okla.: Ray Painter, board chairman of both Farmers State Bank of Afton and First National Bank of Chanute, Kans., joins Security's board.

THE TRENTON SAVING FUND SOCI-ETY, N.J.: George W. Arnett, president, joins board of The Reliance Insurance Company of Philadelphia, Pa.

THE FRANKLIN SAVINGS BANK, New York: Rodney Cleveland Gott, executive vice-president, American Machine and Foundry Company, Allan W. Betts, vice-president, Vincent Astor Foundation, join bank's board.

Wallis B. Dunckel



BANKERS TRUST COMPANY, New York: Wallis B. Dunckel, president and director, becomes director of American Bank Note Company.

HOUSTON (Tex.) NATIONAL BANK:

Joseph F. Meyer, III, president,
Joseph F. Meyer Company, joins
board; Mr. Meyer is the third generation in his family to serve on
this bank's board.

THE COLONIAL BANK AND TRUST COMPANY, Waterbury, Conn.: Richard M. Stewart, president, Anaconda American Brass Company, and Robert N. Whittemore, treasurer and general manager, J. H. Whittemore Co., join board.

Jex Heads Industrial Bankers

Russell B. Jex



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Russell B. Jex, secretary-treasurer, People's Finance and Thrift Company, Salt Lake City, Utah, is 1961-62 president of the American Industrial Bankers Association.

Louis J. Felix



SOUTHERN ARIZONA BANK AND TRUST COMPANY, Tucson: Louis J. Felix, president, is named vice-chairman of the board. Mr. Felix has spent 45 years with the bank.

BALTIMORE (Md.) NATIONAL BANK: Tilton H. Dobbin, president, joins board of Maryland Shipbuilding & Drydock Company.

UNION SAVINGS BANK OF BOSTON, Mass.: Francis P. Brennan, president, becomes a director of Metropolitan Mortgage Bureau, Inc., Boston.

Recent vice-presidential changes at banks across the nation include:

FIRST NATIONAL BANK AND TRUST COMPANY OF TULSA, Okla.: J. C. Wyatt, Jr., vice-president, is elected to board of Greater Tulsa Goodwill Institute.

McKennett Joins Burroughs



Frank McKennett

Frank McKennett has joined Burroughs Corporation, Detroit, as New York consultant to Ken Bement, vice-president. Mr. McKennett, recently market consultant for International Telephone and Telegraph, previously served International Business Machines for 33 years and retired as a consultant in the office of IBM's director of marketing services.

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Bankers Trust Company, New York: Chester Baylis, Jr., Frank Hamilton, Harold C. Strait, and George T. Davies, all serving as vice-presidents, are elected to the newly-created position of first vicepresident.

Security-First National Bank, Los Angeles, Calif.: Randall Boyd, vice-president and secretary, and head of Security-First's legal department, celebrates 45 years with the bank.

THE COUNTY TRUST COMPANY, White Plains, New York: J. Fred Stahl, regional vice-president, celebrates his fortieth anniversary with the bank.

BANK OF THE SOUTHWEST, Houston, Tex.: William R. Hoge becomes general vice-president.

Bank of America, N.T. & S.A., Los Angeles, Calif.: Robert S. Ward, James M. Garrison, and Lloyd J. Sugaski, all become vice-presidents.

IRVING TRUST COMPANY, New York: Dr. George W. McKinney, Jr., from assistant vice-president to vicepresident.



Bill Powers.

A.B.A.

Senior Deputy Manager,

Dies

William Powers, 62, senior deputy manager of The American Bankers Association since 1956, director of its Bank Executive and Staff Development Committee since 1960, and registrar of the Stonier Graduate School of Banking, died suddenly on September 21.

Mr. Powers lived in Scarsdale, N.Y.; he came to the United States from Scotland in 1909 and entered banking in Detroit in 1914. Gaining a nationwide reputation through activities in the Detroit chapter of The American Institute of Banking, he joined A.B.A. in 1940 and among other appointments and promotions became deputy manager in 1943.

Mr. Powers wrote many articles and lectured at banker-sponsored courses at colleges and universities here and abroad. He was awarded both honorary masters and doctors degrees by Rutgers—The State University of New Jersey.

He is survived by his wife and one daughter.

PHILADELPHIA (Pa.) NATIONAL BANK: Donald P. Horsey, vice-president, retires as manager of Conshohocken office.

BALTIMORE (Md.) NATIONAL BANK: William B. Alexander, vice-president, also becomes comptroller.

MANUFACTURERS TRUST COMPANY, New York: Charles J. Pinto, from assistant vice-president to vicepresident.

BANK OF AMERICA, N.T. & S.A., San Francisco: Renolds J. Barbieri, senior vice-president, retires, and 142 of his co-workers establish a charitable trust fund in his honor. Fund is to be used in San Francisco Boys Club.

BROADWAY SAVINGS BANK, New York, N.Y.: Herbert E. Borneman, from assistant vice-president to vice-president.

THE NATIONAL BANK OF NEW JER-SEY, New Brunswick: George A. Heldrich becomes vice-president in charge of systems and operations. (CONTINUED ON PAGE 21)

STATE ASSOCIATION PRESIDENTS-1961-62







From left to right: WASHING-TON: Hans Lund, president, First National Bank in Tonasket; OKLAHOMA: Art F. Bower, president, Farmers & Merchants National Bank, Fairview; UTAH: Alan B. Blood, executive vice-president, Barnes Banking Company, Kaysville



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(CONTINUED FROM PAGE 19)

FIRST BANK AND TRUST COMPANY OF RICHARDSON, Tex.: James W. Schollenberger is named vice-president.

NATIONAL BANK OF COMMERCE OF SAN ANTONIO, Tex.: Gilbert C. Hine becomes vice-president and trust officer.

MANCHESTER BANK OF ST. LOUIS, Mo.: C. H. Stolte becomes vicepresident and cashier; George F. Pfister becomes a vice-president.

Dr. Giorgio Cigliana-Piazza



MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York: Dr. Giorgio Cigliana-Piazza, who has been senior vice-president, Banca d'Italia, and representative of the financial agency of the Italian government, as well as Italian representative in several international agencies, becomes a Morgan Guaranty vice-president.

MAIN BANK AND TRUST, San Antonio, Tex.: William A. Fagan, Jr., be-

comes vice-president and trust officer. Mr. Fagan had been with NATIONAL BANK OF COMMERCE, Houston.

UNITED CALIFORNIA BANK, Los Angeles and San Francisco: Lawrence B. Raether, from assistant vice-president to vice-president.

Lauren H.



UNION BANK, Los Angeles, Calif.: Lauren H. Conley, from vice-president to senior vice-president.

THE BANK OF NEW YORK, New York: William J. Kenney, Joseph B. Koechel, W. Kennedy B. Middendorf have all become vice-presidents.

OLD KENT BANK AND TRUST COM-PANY, Grand Rapids, Mich.: Alfred H. Rypstra, Leonard Hoffius, both become vice-presidents. Mr. Rypstra recently resigned as city manager, succeeds the late Donald Cobb. Mr. Hoffius has been an assistant vice-president.

FIRST NATIONAL Bank of Lafayette, Ind.: Hector N. Sonnier, cashier, also becomes vice-president.

CASS BANK AND TRUST COMPANY, St. Louis, Mo.: Frank O'Riordan

BANKING Editor Interviewed on Radio and Television

Many Virginians gained a great deal of knowledge about opportunities for women in banking when Mary B. Leach, associate editor of BANKING Magazine paid a 3-day visit to the city of Norfolk. They were given insights into the profession in general as well, and into the American Bankers Association and BANKING Magazine when Miss Leach appeared for radio and television interviews, and spoke at a bank and A.I.B. sponsored tea.

After a weekend as the guest of Mrs. Noma Reid Brice, assistant cashier and director of advertising and public relations at NATIONAL BANK OF COMMERCE, Miss Leach spent a busy August 28 as an inter-

viewed guest on WTAR and on WTAR-TV. Mrs. Mildred Alexander conducted both the radio interview and the interview for the Mildred Alexander-Warren Hull TV show. On the same day BANKING'S associate editor addressed an attendance at a tea sponsored by the Norfolk-Portsmouth A.I.B. chapter and NATIONAL BANK OF COMMERCE.

On September 25, Miss Leach, accompanied by Ethel Bauer, assistant editor of Banking, participated in round table discussions at the Eastern Secretaries Ladies Conference in Concord, N. H. The occasion was the fifth annual conference of state bankers association key women.

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joins staff as vice-president. Mr. O'Riordan has been president of Associate Bankers of St. Louis.

THE COUNTY TRUST COMPANY, White Plains, New York: Isaac Carpenter, Jr., vice-president, retires.

INDIANA NATIONAL BANK, Indianapolis, Ind.: Robert E. Fulwider, Wilson Mothershead, both become trust officers and vice-presidents.

Sapp Funderburk



CITIZENS AND SOUTHERN NATIONAL BANK of South Carolina, Columbia: Sapp Funderburk becomes vice-president in charge of instalment loans.

CENTRAL TRUST CAPITAL BANK, Harrisburg, Pa.: C. Ernest Keys, vicepresident, retires. Mr. Keys has been with CENTRAL and its predecessor banks since 1907.

NATIONAL BANK OF WESTCHESTER, White Plains, N.Y.: Philip D. Hollis, Jr. becomes vice-president in charge of personnel.

LOUISIANA BANKERS ASSOCIATION, Baton Rouge: R. Irby Didier, executive vice-president, is honored for 20 years of service to the state's banking industry by a testimonial dinner at famous Antoine's, New Orleans.

Ernest T. Love Retires

Ernest T. Love, center, vice-president at Albuquerque (N.M.) National Bank was tendered a country club party on his retirement, after 55 years in banking. Albuquerque National's chairman, James R. Modrall, appears at the left; Fred Luthy, president, appears at the right



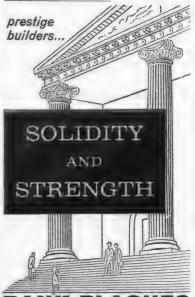
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UNITED STATES BRONZE Sign Co., Inc. Dept. B, 101 West 31st St., N. Y. 1, N. Y. FIDELITY AND DEPOSIT COMPANY OF MARYLAND, Baltimore: William M. "emmink, vice-president and memper of the executive underwriting committee, retires after serving in various capacities since 1914.

FIRST NATIONAL CITY BANK OF NEW YORK, New York: William A. Rough, Richard W. Freund, both assistant vice-presidents, become vice-presidents.

Albert L. Haggard

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UNION BANK, Los Angeles, Calif .: Albert L. Haggard, after 14 years as marketing vice-president at Waste King Corporation, joins Union Bank as vice-president of business development. Edward Robbins, assistant vice-president, also becomes vice-president.

Edward Robbins



BANK OF AMERICA, N.T. & S.A., Los Angeles: James N. Kelly, Robert O. Bates, both become vicepresidents.

COLONIAL BANK AND TRUST COM-PANY, Waterbury, Conn.: Paul A. Monroe, senior vice-president, retires, as does Carl F. Heebner, executive committee chairman. Mr. Heebner has spent 50 years in banking; Mr. Monroe's first bank position dates back to 1914.

National Council of Churches Elects Banker as President

The National Council of Churches. representing 33 denominations comprising 40,000,000 members, elected a banker this year as its first layman president. J. Irwin Miller, board chairman of IRWIN UNION BANK AND TRUST COMPANY of Columbus, Ind., has been serving as president for 1961-the first non-clergyman ever elected to this office.

THE COIN WRAPPERS and CORRELARY ITEMS HEREIN ARE THE LEADERS IN SALES IN AMERICA IN BANKS and OTHER BUSINESSES WHERE COINS ARE HANDLED IN VOLUME...

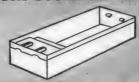
. . . THIS FACT BESPEAKS THEIR QUALITY



They save 25% of time consumed in machine filling. A slight pressure of the thumb and finger and they pop open, yet pack flat. There are 1,000 of each denomination to a carton. In 6 colors for 6 different coins. They Outperform All Competition!

MANUAL COIN COUNTER SPEEDS UP COIN COUNTING

Merely push Tubular Wrapper up from bottom, then count coins into the hopper, withdraw filled wrapper and close open ends. You save valuable time in packaging coins with this handy device. Made in 5 different size Stems of Bakelite for lightness and long service.



"Steel-Strong" Coin Trays afford a rapid system for handling wrapped coins. Teller merely counts number of filled trays and top rows of unfilled trays...giving him an accurate total of wrapped coins. Saves time, saves errors. STEP BLOCKS. EXCLUSIVE FEATURE of "Steel-Strong" Coin Trays permit fast loading of rouleaux Into Trays, limiting the axact amount of the coin total as shown by colored end labels, which always match the color of the coin wrappers for easy identification of the coin denomination. Stamped from one piece of heavy sheet steel, they are absolutely uniform and nest perfectly at any height. Colored capacity end labels.

GUNSHELL WRAPPERS FOR MACHINE



Here is real packaging for all coins handled by machines. They're made extra strong due to unique construction, hence extra protection of unique construction, hence extra protection of alt coins. Ends crimp tightly. Packed 1,000 to a carton with crimped ends turned same way.

H-20-8





"Steel-Strong" Lift Pans serve to accommoda filled Coin Trays in the Teller's cage, and be come a convenient carrier to and from the vaul for night storage. Illustration also shows Pa filled with loaded Coin Trays and the great a vantage of all trays being the same length at width. This permits secure stacking and pe

WRITE TO ... DEPT. A

The C. L. DOWNEY CO. HANNIBAL MISSOURI



Flexner Named Deputy Manager



In recognition of the growing importance of mortgage financing to commercial banking, *Dr. Kurt F. Flexner*, director of the Mortgage Finance Committee since January 1959, has been named a deputy manager of the A.B.A.

Born in Vienna, *Dr. Flexner* earned his B.S. in economics at Johns Hopkins University and his Ph.D. in economics at Columbia University, and was later associate professor at New York and Johns Hopkins universities. He has much published material.

FIRST NATIONAL BANK, Lexington, Va.: General John S. Letcher becomes vice-president, succeeding the late M. S. McCoy. Mr. McCoy's directorship is filled by Homer E. Derrick, Jr.

LINCOLN ROCHESTER (N.Y.) TRUST COMPANY: Donald H. Burgan, Roy E. Ely, William E. Webber, all become vice-presidents.

FIDELITY UNION TRUST COMPANY, Newark, N.J.: John J. Corcoran, branch manager, becomes second vice-president.

FIRST NATIONAL BANK OF ALLEN-TOWN, Pa.: C. Stewart McGirr, formerly resident national bank examiner for the Third Federal Reserve District, becomes a First National vice-president.

> Robert F. Dewey



BANK OF CALIFORNIA, N.A. San Francisco: Robert F. Dewey joins as vice-president and trust officer. He was vice-president and senior trust officer at FIRST NATIONAL BANK OF ARIZONA. Phoenix.

(CONTINUED ON PAGE 26)



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Department make a survey of your portfolio. Ours is one of the biggest bond departments in the nation. And one of the most experienced.

Upon receipt of the necessary information, our analysts will review your investment account in

Just call upon the Continental, and let our Bond relation to your bank's balance sheet and your particular banking situation. We will offer helpful advice in setting up an investment policy, and suggest ways of implementing this policy in light of current and expected market conditions.

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ILLINOIS BANK CONTINENT

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October 1961

NO. 3380
ONE OF
YOUR
TRUSTED
EMPLOYEES?

His job: Assistant trust officer, Real Estate Department, mid-West bank. Married. Father of three. Employed 20 years. During last five years had checks drawn for fictitious work on homes. Brought checks to bank; initialed, cashed them. Loss: \$44,000.

Fortunately, the bank was protected by a Bankers Blanket Bond issued by one of The Fund Insurance Companies. But \$44,000 is a small amount compared to many bank losses today. Good reason why many bankers augment their Blanket Bond with The Fund's Excess Fidelity Insurance (Form 28). It provides a million dollars of protection over and above a Blanket Bond, insures against a catastrophic fidelity loss—like an embezzlement concealed over a period of years.

To safeguard your bank's resources, contact a representative of The Fund in your area. He's backed by The Fund of Experience.





(CONTINUED FROM PAGE 24)

CANAL NATIONAL BANK, Portland, Maine: Philip I. Milliken, vicepresident, retires; Percy E. Mitchell retires from audit department.



Joseph R. Demers

BANK OF AMERICA, N.T. & S.A., San Francisco and Santa Clara: Joseph R. Demers, Roland Risso, become vice-presidents at the respective locations.

Roland Risso



TEXAS NATIONAL BANK, Houston: V. W. "Woody" Penny, vice-president, retires.

(CONTINUED ON PAGE 28)

Provident Bestows Award on Officer of Competitor

A "Man of the Week" award, given to citizens of Greater Philadelphia for accomplishments calling for special recognition, was presented by one Philadelphia bank to an officer of a competing bank, directly across the street.

With the mutual respect and admiration typical of the fellowship of bankers, James M. Large, chairman of PROVIDENT TRADESMENS BANK AND TRUST COMPANY, notified Bruce D. Smith, assistant vice-president of FIDELITY-PHILADELPHIA TRUST COM-PANY, across the street at Broad and Walnut, that he had been chosen "Man of the Week" because of his outstanding contribution as a nonmedical person to the health and welfare of Delaware Valley residents. Mr. Smith had previously been presented a medical society award for the time and energy he has devoted to the Arthritis and Rheumatism Foundation.



Now your bank can encode and imprint multiple-form deposit tickets and checks in one operation!



THE NEW TM 350-W DOES THE WORK OF TWO MACHINES ON-OR-OFF BANK PREMISES AT LOW COST!

The imprinting and magnetic encoding of multiple-form deposit tickets... and various size checks... can now be processed by one piece of equipment in one operation. The TM 350W, developed by ThriftiMatic Corporation, assures hair-line registration and ease and simplicity of operation. "Readability" on all MICR electronic sorting equipment is assured. This is the most practical and economical way of running small and medium size quantities of 2, 3 or 4-part carbonized deposit tickets... continuously... automatically... accurately... at the flick of a lever! Available to Banks right now! Please write for more information.

ANOTHER MAJOR ADDITION TO THE THRIFTIMATIC LINE OF IMPRINTERS AND ENCODERS

See it demonstrated at the ABA convention in San Francisco, October 15-18.



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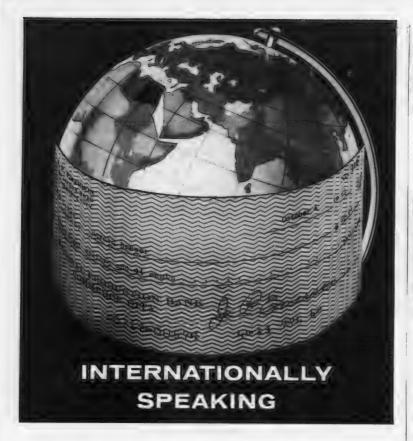
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Not only has the Common Machine Language of MICR been widely adopted in the United States, but plans are underway for its use by banks in check-handling systems in other parts of the world. Indeed, MICR may well meet world-wide adoption within a relatively short time,

As an instrument for money transfer in this "international language" operation, the check is now, more than ever, a precision form... from paper through printing.

The safety and sortability of checks printed on La Monte Safety Papers speak eloquently for their use in the precision requirements of MICR.



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GEORGE LA MONTE & SON . NUTLEY 10, NEW JERSEY



(CONTINUED FROM PAGE 26)

NATIONAL BANK OF ST. PETERSBURG, Fla.: Joseph V. Goldbach, from assistant vice-president, ILLINOIS NATIONAL BANK OF SPRINGFIELD, to the St. Petersburg bank as vicepresident.



Robert M. Eberhardt

BANK OF STOCKTON, Calif.: Robert M. Eberhardt, director, from vice-president to executive vice-president. Roy C. Sanders, cashier and secretary, adds vice-president to his title and duties.



John Barry Hubbard



Joe B. Cooper, Jr.

FORT WORTH (Tex.) NATIONAL BANK: John Barry Hubbard, trust officer, and Joe B. Cooper, Jr., both become vice-presidents.

(CONTINUED ON PAGE 30)

Kansas City Banker Seeks 1961 GOP Senate Nomination

R. Crosby Kemper, president of the CITY NATIONAL BANK AND TRUST COMPANY in Kansas City, Mo., has entered the GOP race for U.S. Senator from Missouri. The 34-year-old bank president is the third generation member of the prominent Kemper family in banking, having succeeded his father, Rufus Crosby Kemper, as president of CITY NATIONAL in 1959.

The 1961 Republican nomination would put Mr. Kemper in the running for the Senate seat of Senator Edward Long, now filling the unexpired term of the late Senator Thomas Hennings.



STATUE OF LIBERTY dedicated October 28, 1886.

Every five seconds of every day/night, citizens of Newburgh, New York and customers of the County National Bank can depend upon this Double TT® Time and Temperature public service identification display for accurate information. Signed by AMERICAN.



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this is an **AMERICAN SIGN** of good public service advertising

TIME—October, 1886. 100 years after the signing of the Declaration of Independence, the Statue of Liberty was dedicated. A symbol of freedom to peoples of the world, the statue was a gift from France. In her uplifted right hand the Goddess of Liberty bears a torch lighted by electric lamps, seen by millions of travelers approaching New York by sea.

Today throughout America over 1000 financial institutions utilize another AMERICAN SIGN . . . a symbol also lighted by electric lamps. A symbol of good public service identification providing dependably accurate time and temperature information, day-in, day-out, year-'round. May we send you without obligation, complete information about this guaranteed accurate, dependable public service program?

Please write us today, 8 South Dearborn, Chicago 3, Illinois,



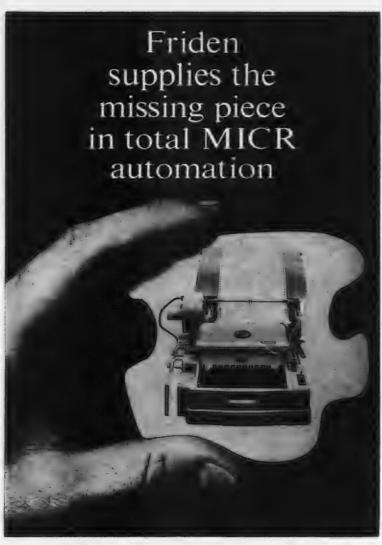
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Offices in Chicago, Los Angeles, New York, Philadelphia, Atlanta and Seattle Hame Office — Spokane, Washington . . , Representatives serving every city

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The MICR check-sorting system is a marvel of automation. *But* it necessitates the imprinting of *all* customer checks with an assigned MICR code number. This means either a highly expensive outside printing bill, or the costly manual typing of offset printing plates.

Fortunately, Friden has the answer—the Model ABA Flexowriter.® The Friden ABA Flexowriter automates the preparation of offset plates. It also personalizes checks in the same operation. For example: one New York bank handles 6,400 individual check orders per day with just two ABA Flexowriters and one operator. The manual preparation of these plates would require up to 30 typists and 30 special electric typewriters.

If your bank plans to go into MICR, you can take steps now to solve the imprinting problem. Step one: talk to your local Friden Systems Representative. Or write: Friden, Inc., San Leandro, California.

THIS IS PRACTIMATION: automation so hand-in-hand with practicality there can be no other word for it.



THROUGHOUT THE U.S. AND WORLD



(CONTINUED FROM PAGE 28)

MANUFACTURERS TRUST COMPANY, New York: Elias A. Sadallah, from assistant vice-president to vice-president.

BANKERS TRUST COMPANY, New York, N.Y.: Edmund F. Ebert, Harry A. Watkins, both become vice-presidents.

Historic Appomattox: Site of 60-Year-Old Bank



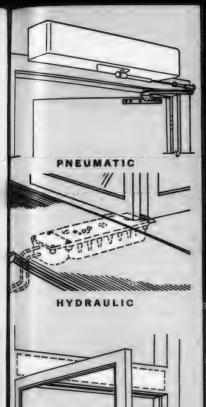
William W. Burke, president, THE BANK OF APPOMATTOX, Va., and H. C. Pulliam, a director and owner and driver of this horse and buggy, arrived in old-fashioned costume on the morning of the 60th birthday of their bank. The celebration was attended by nearly 800 people—a goodly number for this small country bank.



Since the bank is located in the town of surrender by Lee to Grant, ending the Civil War, a Civil War Centennial theme, complete with costumes and a mock hold-up was carried through the celebration. The cake Mr. Burke is cutting was decorated in red, white, and blue, with confederate flags iced on the layers.

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In selecting the right automatic door operator for your needs, it's important to remember that all doors and all operating conditions are <u>not</u> the same; each installation requires proper selection and application of power and control. That's why Stanley manufactures not just one but three distinct types of operators: MAGIC-DOOR Hydraulic and Pneumatic Operators with the power and control features needed to handle the heaviest doors under the most severe operating conditions . . . and now the new MAGIC-DOOR Electric Operator that teams Stanley quality with exceptional economy. When you choose from the complete Stanley line, you can always be sure of the finest for any application!



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A new addition to the complete STANLEY MAGIC-DOOR line, this compact Electric Operator now makes automatic door operation—with all its advantages—economically practical for almost every type of commercial establishment. Designed for fast, easy, low-cost installation, this compact unit is realistically priced to fit limited budgets. And like all_STANLEY MAGIC-DOOR Operators, it's ruggedly constructed and amply powered to insure year after year of dependable service.

Engineered to control doors from 30" to 42" in width and weighing up to 150 pounds, the Stanley Electric Operator is available as a concealed-in-the-header model for new construction or a visible mounting model for existing doors. For complete technical and application literature and the name of the MAGIC-DOOR Distributor in your area, write today to Stanley Hardware, Division of The Stanley Works, MAGIC-DOOR SALES, Dept.J, 90 Lake St., New Britain, Conn.



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springs o coatings o strip steel o steel strapping—made in 24 plants in the United States, Canada, England and Germany.

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Have you ever found yourself with a situation you wanted to support to the fullest but the applicant's requirements exceeded his true qualifications?

There's one way you can accede to the request without in any way going beyond your normal limitations. Simply call on *Commercial Factors Corporation*. We will either fulfill the requirements in total, or participate with you in a variety of ways.

In this way the client's needs are met without delays or embarrassment to any party. Moreover, you yourself retain the client's good will and a mutually profitable arrangement is developed.

Our plans include old line factoring, non-notification factoring, accounts receivable financing and other arrangements tailored to the needs of each situation.

For details on our continuing relationship with banks write for our free booklet, "How and When Your Bank May Profitably Recommend the Services of Commercial Factors." Address your letter to Walter M. Kelly, President.

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BANKING

OCTOBER 1961

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

A PROMISING recovery outlook and a very grim and unpromising political outlook are going along hand-in-hand but without appearing to notice each other. They are an incongruous pair and provide one of the oldest spectacles in history.

The two are not even on speaking terms and there is a fantastic discrepancy between the general news pages reporting the world on the brink of catastrophe and the business news reporting the world on the verge of its greatest period of economic progress.

Now it so happens that both the good and the grim have close ties with inflation and monetary irresponsibility throughout the world.

We don't often think of inflation in connection with the communist world because, like unemployment, it's nationalized and illegal, but it's there just the same.

There is something about the chronic international crisis that breeds a spirit of eat, drink, and be merry in an economic sense and relegates gold, sound currency, and like disciplines to the category of old-fashioned non-sense.

John McCloy, former head of Chase Manhattan and now chief of our disarmament efforts, knows both business and politics as few men do. He feels strongly that business has a vital role to help restore health to the world body politic. He says that business must accept the world as it is and that its ills have become too much for statesmen to handle without the peaceful unifying power inherent in business.

As Long as the Fuel Lasts

The upward trend in business (which is commonly thought to have started sometime early last spring but actually was born last fall in the midst of dire forecasts of depression) will continue as long as the supply of inflationary fuel lasts, and that will be as long as the suppliers remain in business.

The suppliers of inflationary fuel are a hardy lot and they can stay awake much later than conservatives without yawning. One of the hardiest and best known wrote an eloquent letter to a New York newspaper indignantly refuting the notion that the Government's legislative program thus far had been less than a huge success. There is no point in identifying either the letter writer

or the newspaper because it's the same familiar tune no matter who is playing it and sounds like a cracked record with the needle stuck in a groove—Government handouts generate purchasing power. We go farther into debt and that's how we grow.

The gist of the letter was that no Congress ever "did more" for unemployed, employed, older citizens, farmers, cities, and so on. The letter was so full of these political achievements that it never got around to national defense, certainly the most important thing that the Government could "do for" us when the world is supposed to be on the brink of war.

The Dollar's Image Abroad

One of the chief criticisms directed against liberal inflationists is that they insist on expanding the domestic and foreign handout programs on top of a rising defense budget, thus further jeopardizing the future of the dollar.

Most of our spectacular fumbles and errors in foreign affairs have come from hyper-sensitivity to foreign public opinion on matters like segregation, Cuba, and so on. The foreign opinion we should be most concerned about is what business and financial leaders abroad think of our competence and judgment in safeguarding the dollar.

A year ago one of our biggest problems was assuring the stability of the dollar. Ironically we met it by spending more, planning more foreign aid, paving the way for another record deficit, by asking the steel industry to hold the price line, and doing practically nothing to keep labor from making a price rise inevitable—in fact doing all the things that caused the dollar crisis in the first place. Oh, yes, there is also the new rule that U. S. tourists abroad can bring back only \$100 worth of goods duty free, instead of \$500.

Inflation and Controls

There is a familiar reactionary pattern in the economic affairs of the nation that dates from the olden days of Franklin Roosevelt and his Knights of the Knew Deal. The pattern is beginning to emerge again and it has always caused trouble. It's a kind of confusing circular thing like an abstract painting of a square. Inflation be-

gets boom begets controls beget inflation, ad infinitum, round and round.

Inflation and Counter-Inflation

An examination of the great mass of statistical indicators available today, together with the business and political news, shows two principal forces exerting influence in opposite directions on the course of industrial and commercial activity.

The main stimulant is the anticipation of inflation, either the hope of it or the fear of it. The chief factor on the other side is the effort to combat inflation and here, too, the feeling may be either hopeful or fearful and it's not always possible to draw a line between the two.

For almost a year the path of business and the path of the stock market have been parallel to a remarkable degree and generally upward, with stocks leading the way with their usual enthusiasm for over-anticipation.

Practically all indicators point to a moderately rising rate of recovery the rest of this year, with the possibility of some acceleration as we move into 1962. Among these signs must be included the inclination of those in the seats of power to pile Ossa on Pelion—more spending on top of every evidence that business recovery is developing enough power to blow a fuse without any help from the professional inflationists.

A Look at the Score

1962 is quite far out on the calendar limb in precarious times like these, but a quick run-down of the uppointing indicators makes an impressive showing.

(1) Almost \$7-billion additional Federal spending was arranged this year and, with a Government ruled by rich-kid psychology, a deficit of \$10-billion in fiscal 1962 is not hard to imagine. Only half of the additional spending is for defense.

(2) State and local spending is also rising, although many of the bond issuing authorities are nearly at the end of their authority or past it. Faced with legal ceilings on borrowing, based on property values, many localities are dreaming up new ways to get around the restrictions, but there is another kind of ceiling, a limit as to how far investors will go. Local debt is now well over \$50-billion, and the trend will be sharply up for some time to come.

(3) Business spending for new plants and equipment is rising a little faster than was anticipated early this year.

In the final quarter of this year it will be at a yearly rate of almost \$36-billion, or 7% above the rate last spring. The total for this year should reach \$34,560,000,000, according to the latest report of the Department of Commerce and the Securities and Exchange Commission. This is 3% less than the 1960 figure.

It will be hard for the optimists to make this look like a real boom, but the promised acceleration of this spending toward the end of the year is highly significant.

The way this business investment picture shapes up industry by industry also tells a story. Chemicals and petroleum will spend the most, but the soft goods categories, in general, plan above-average spending.

Textiles, paper, and rubber show little change in their expected rate of investment, and railroads are close to the bottom.

(4) Even more significant is the sizable shift from inventory reduction to inventory buying, amounting altogether to about \$7-billion on the plus side at an annual rate. This has not been accompanied to any marked degree by an increased use of bank credit. In fact, commercial borrowing is one item on the list which does not conform to the recovery pattern, so whatever kind of inflation we get is not likely to be credit inflation.

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(5) Corporate profits are back up near \$48-billion for the quarter just ended, which is almost equal to the top reached in the first quarter of 1960 and a hearty \$8billion better than the first three months of this year.

(6) A tendency of prices to firm and rise is another sign of increasing activity. So far this has revealed itself in a series of gentle increases in the consumer price index, although at mid-year it jumped a full half percent. It is the persistence of the upward movement that is cause for concern, coupled with the way the Government seems inclined to handle the problem—a scolding attitude toward business and a nice, understanding approach to the restless unions.

(7) All the other signals point upward in varying degrees—personal income, consumer spending, and, of course, Gross National Product, which is headed for new high ground largely because of the spurt in Government spending and handouts.

Offsetting all of these boomy factors are some which inspire caution. With Federal and local governments needing more and more money, there is little prospect of lower taxes, a good chance of higher taxes, and certainly the lion's share of profits from any recovery will be drained off into public uses.

The unpromising political outlook includes both foreign and domestic development.

There is not much that business can do immediately about the deteriorating foreign situation. Mr. McCloy may have a good point, but his is a suggestion for long-term action and fruition. If the free world finally wins over communism it will not be across the political bargaining table but through the achievements of business and the very industries which are beginning to feel the chill winds of a little cold war of our own, from the direction of Washington.

Steel Pinpoints Policy

The pattern of inflationary policies is a panorama that is hard to see as a whole but might be pinpointed by examining just one small part.

President Kennedy has made the first of what is likely to be a series of moves to hold the price lines on steel and autos in the belief that, if this can be done, the price level generally can be maintained.

He is trying to do this by persuading the steel companies to keep present prices, but he has made only an implied promise to do something of the same sort with regard to the steel unions next spring when contract negotiations will start. There is this difference. The President has promised simply to urge the unions to keep their demands moderate, without any definition of moderate.

Two years ago when President Eisenhower's persuasion failed, it will be recalled that Vice-president Nixon made some kind of a run around left end and presto! the companies and unions had a 3-year agreement for annual wage rises. The third of these becomes effective on

October 1, and it was in anticipation of this occasion and the possibility of price increases to meet higher costs, that the President asked the companies to pick up the tab.

The final outcome will have tremendous effect on the whole price trend for some time to come. Whether the President is right or not in his assumption that holding steel and auto prices will hold all prices, he is certainly trying to do it the hard way if he does not exert the same persuasion on the unions and right away.

The Voice of History

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The whole history of inflation for two decades has shown the close parallel between wage increases in major industries and general wage and price rises all down the line. Like our habit of little retreats in the cold war, our official wage negotiators have repeatedly backed away and capitulated when faced with demands from politically strong unions.

One handicap that all sides face is that the President's Secretary of Labor Goldberg was general counsel

for the steel union at the time the present contract was written. Just how he will function from the Government's side of the table will be interesting to watch.

Overcapacity

One of the most fascinating and favored theories of many close governmental advisers at this time is that inflation in the form of rising prices is impossible or unwarranted and growth assured because we have enormous unused capacity of materials and manpower in most major industries, but we had the same in the '30s.

Gold Is Hard to Brush Off

The gold crisis and threat to the dollar gave the inflationists second thoughts last fall. Perhaps a repetition of those conditions would again cause them to stop, look at the facts of economic life, and listen to the market place.

WILLIAM R. KUHNS

TRANSPORTATION FACTOR IN WEST COAST GROWTH

In connection with the second article on Geofinance U.S.A., page 51, and timed with the San Francisco convention this month, we asked several West Coast bankers to appraise the outlook in terms of transportation.

I. Most Important Factor

The postwar improvement in all forms of transportation has probably been the most important factor in the current expansion of the West. Any continuation, whether it be air, rail, or highway improvement, will be of immense help in aiding our economic expansion.

So far the relocation of highways and airports has had little direct effect on *existing businesses*, but it has, however, enabled some industries and new branches to be located in areas heretofore considered unsatisfactory. In the Southwest, particularly, improved transportation is encouraging the dispersion of our urban development to ever widening areas.

The opening of new plants and new branches of national concerns has not required any special bank service other than new offices to serve the areas which develop near them.

In any expanding economy such as ours the problem of financing new public works is always with us. We hope that better transportation will bring in *sufficient* new industry and economic development to broaden *the* tax base for support of needed facilities.

Our own experience with centralized bookkeeping indicates its feasibility as communications improve. As a matter of fact, we purposely established our new operations center only a year ago on a freeway so as to have ready access to our other facilities.

II. Regional Banking and Money Engineering

The West Coast and California in particular will benefit from improvement in transportation techniques and facilities, One of the major deterrents to the location

of new industry in California has been the high transportation cost entailed in "importing" raw materials from outside the area and in servicing the market east of the Rockies. Developments that have increased the speed of deliveries and cut shipping costs have stimulated industrial expansion on the West Coast.

The development of the fine freeway system in southern California has given greater impetus to our bank's concept of regional banking. Our offices, located primarily in centers of industry and finance, are within easy reach throughout Los Angeles and Orange counties.

Concerning the services required by new plants and facilities, we have for many years offered our customers the benefits of "money engineering," the adaptation of banking services to the particular needs of the individual customers. . . . we encourage those national concerns operating or selling in southern California to insure the prosperity of this market by maintaining balances in southern California banks at least proportional to the volume of business that they do here.

III. Many New Firms Relocating

THERE is no change in our water transportation facilities, although the Olympia Port has been improved considerably in the last few years. From one to five ships are in our port normally, loading or unloading. The principal traffic is in lumber and logs. Presently, a good many of the logs are going to Japan.

Olympia is on Highway 99, which is the only highway carrying traffic through the western part of the state, with a junction that takes care of the West Coast and the Puget Sound area. We have a very extensive cloverleaf well located to give access and exit to all traffic from either direction

A trading area near Olympia, known as the Lacey area, which is unincorporated, has a population of approximately 15,000 people. Three new industrial plants have been established in this area in the last two years.

The outlook for financing public works I would consider good in our area. One reason is that we have branch banking in our state, with considerable consolidation, and large operations which do provide a better service in this respect than in states where more of the banks are unit banks with less adequate facilities to serve this need.

I believe that the larger branch bank organizations are all working toward consolidating their accounting, but to what extent and in what areas I cannot say definitely. Some bankers in the Portland area are negotiating with an independent concern to process their items, using one of the IBM methods. The First Independent Bank in Vancouver, Washington, is currently utilizing this, and has found it practical and satisfactory.

IV. Growth an Old California Story

Our bank economists say that, because of the sustained growth which has been occurring in California for many years, current transportation shifts have brought about no dramatic changes. The new transportation program has not ignited a sharp upward climb, but, rather, has insured a continued, steady economic growth. Within California, the new Federal interstate highway program serves to augment the state's freeway construction program which, for a number of years, has been proceeding on an orderly basis.

Concerning the impact of the program on banking, we can speak only of the experience of our own organization. Since we have a statewide system of branches, the flow and routing of traffic has not affected our over-all operations. In planning the location or relocation of a branch, however, the travel pattern and flow are carefully considered, so that our branch will be in the best possible position to serve the public.

The location of freeways has affected, and should continue to influence, the locating of entire suburban communities. This, in turn, has influenced our choice of branch sites, since we have endeavored to provide banking services directly to every community and neighborhood. And our opening of branches in newly forming and expanding communities has, in turn, helped foster growth of the communities.

The financing of California's freeway system itself has been provided by a pay-as-you-go state gasoline tax plan. The financing of public works necessitated by expanding transportation has been met mostly by bond issues, and the outlook is that essential needs will continue to be met.

The people have consistently voted bond issues to meet these needs.

We now have 13 ERMA centers serving all but 49 of our 721 branches throughout California. This would not be feasible without an efficient, dependable transportation system. As a direct result of the speed-up in transportation and the development of electronic banking equipment, we have this year inaugurated our "freight payment service." This new service, handled by the bank's ERMA system, streamlines the payment of freight bills, helping carriers and shippers keep pace with streamlined transportation.

V. New Conforms to Old

No significant changes in flow of local bank patronage are yet in evidence. Local geography tends more to confirm traditional patronage patterns than to alter them. Highway improvements, though major in character, are limited to modernization of existing routes and alignments, making established banking units the more accessible.

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Highway improvements will lower transportation costs and should improve prospects of new industry location. The local labor pool, being long on the unskilled but short on many of the needed technical skills, offers opportunity to any industry having an effective training program and the adequate capitalization to support it.

The outlook for financing public works, such as new water supply and street and sewer improvement is good at the moment. School needs are being met by local and state resources, which have little trouble in disposing of bond issues approved by the electorate. Nor has there been any great difficulty in meeting state and Federal requirements as to matching funds where required in connection with access clover-leaf or viaduct construction to serve local traffic needs. It can be said that the local situation is very favorable in this regard.

As to electronic bookkeeping techniques, our own experience is that competition in local banking compels banks to use such machines whenever and wherever the volume of business warrants. We can only presume that electronic developments will play an ever-increasing part in all types of banking in the future.

VI. Southern California Booming

The Santa Monica Freeway from Los Angeles to Santa Monica will have the effect of increasing the population move north to Malibu and out to Venice and Playa del Rey. Santa Monica Bay, with the now developing Marina del Rey Small Craft Harbor, the largest of its kind in the United States, will be one of the largest boating areas in the open ocean yet in a tremendous bay for recreation.

A person here may have his boat, private plane, office, and home all within 15 to 20 minutes of each other. This affords more leisure time and an opportunity to take advantage of recreational hours. Twenty-five minutes away is the International Airport.

Since it is only a few hours from the Santa Monica area to the San Diego Freeway, which bisects the Santa Monica Freeway, one may find himself going north through the San Fernando Valley, south through Long Beach, and east into Orange County. With this system of freeways, living in an area such as ours will greatly increase business activity of all types.

The outlook for financing public works in this area, as necessitated by expanding transportation, should be excellent.

It could be assumed that transportation definitely would have an effect on those smaller institutions desiring assistance for centralizing. We are studying our bookkeeping operations for the future and plan to install centralized bookkeeping. If such services were offered by a principal correspondent bank in Los Angeles, we would undoubtedly explore the advantages of having them perform centralized bookkeeping services for us.

Digest of the Business Outlook

The OUTLOOK and Condition of Business

Money Supply and Demand

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LOANS. Statistics show no pickup yet. Demand for inventory rebuilding hasn't been sharp. No real strength in demand for construction, real estate, or business. Usually, after a cyclical trough, loan demand lags 2-4 months. This time it seems a bit late. But, as consumer buying increases, loan demand should rise in October.

RATES for bank loans relatively stable in first half, normally rise with recovery. When inflation psychology grows, interest rates tend to rise faster. Through recession and early recovery, loan rates changed very little. Vice-president Reierson, Bankers Trust Co., sees no rise in rates in 1961, but higher rates by next summer.

NET SAVINGS—disposable personal income minus consumption spending—averaged 6.5% in 1960, 6.1% in first quarter 1961, 7.1% in second. Personal saving totaled \$23.7B in first quarter, \$25.8B in second.

FEDERAL BUDGET for fiscal 1962 is unaffected by failure of Kennedy's "balanced" tax package. Failure to get postal increases mean \$741,000,000 of deficit remains. Failure of school aid will save about a half-billion of spending. Budget Bureau reviews legislation effects after adjournment.

INFLATION, having followed past international crises, is now again expected by the public, e.g., stock market. But Washington sees it as no imminent danger. Still too much idle production capacity and manpower, the ultimate use of which, Government feels, will bring budget into balance.

General Indicators

Factors contributing most to higher income and output, Commerce Department says, have been increased Governmen spending, rise in home building, and business plant-and-equipment outlays. Backlogs in durable goods deliveries are reported. New orders pickup reflects defense strengthening. Minimum wage rose in September. Costs get pushed higher.

GNP third-quarter "forecast" by Council of Economic Advisers will appear in October in *Economic Indicators*. The 1960 GNP high was \$506.4B in second quarter. Recession low was \$500.8B in first quarter 1961. But second quarter rate bounced back to \$516.0B. The third quarter may not duplicate that jump. These data are in current dollars.

PERSONAL INCOME has risen for over half a year; picked up sharply in July. Savings, which always rise during recessions, are at all-time high. So consumers are in a position to buy. Personal income rate, \$354B in first quarter, hit \$362B in second.

INDUSTRIAL PRODUCTION climbed all summer to a new high. Feb. 102; May 108; June 110; July 112. Prospects of continuing rise this fall. All ground lost in recession has been retrieved; and faster than expected, due to international situation and Federal spending.

Spending

GOVERNMENT. Federal spending has been rising faster than expected. U.S. payments to public in fourth quarter 1960 were \$24.2B; first quarter 1961, \$24.9B; second quarter

\$26.6B. Throughout 1960 quarterly receipts exceeded payments. But in first half 1961, net payments were \$4B.

BUSINESS spending rose in third quarter. New orders for machinery increased. Since March, index of business equipment production has risen each month. Commerce Department now surveys each quarter manufacturers' inventory and sales expectations. Shows \$1B expected inventory increase in third quarter, meaning a \$4B boost for GNP. And this is without effects of the stepped-up defense program.

CONSUMER spending through summer was still restrained, despite strong incomes. There's sometimes a delay between income and expenditure. September data, not yet out, may show a jump.

Prices

CONSUMER index up 0.4% in July, mostly because of foods; in August was tempered by fresh fruit and vegetable supplies, lower gas and used car prices. Services steadily creep up. Rises in index normally trigger living-cost clauses in wage contracts. This year auto pacts were canceled as of August 31.

WHOLESALE. Decline has ended, but no upsurge recorded as we write. This index can move fast when it starts. Unused capacity acts as damper, while Washington talks warningly about rumored price hikes in steel, bread, etc.

Employment

NET GAIN this fall should be more than seasonal. By yearend stepped-up U.S. spending should have effects. If not, the Administration will press for a large public works program in 1962.

UNEMPLOYMENT. The August drop of 11.6% largely included teen-agers who had stopped looking for summer jobs. The adjusted rate held at 6.9% of the labor force.

General Categories

CONSTRUCTION is both sharing in and helping recovery. Over-all, a definite uptrend has been under way. A new record is in the making. Housing is now contributing to it; is no longer a drag. But the strongest sector is governmental, especially state and local.

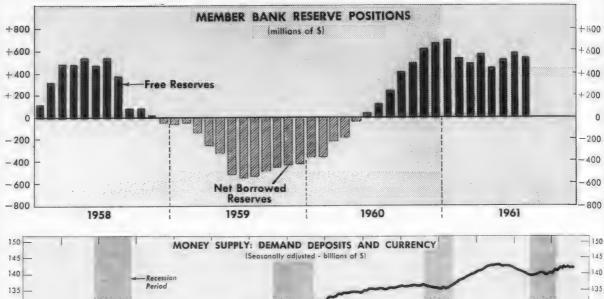
AGRICULTURE Department reports progress on surplus grains. New law continues the feed grain program and starts a wheat program for 1962. Some reduction in feedgrain stocks already achieved and wheat surpluses probably will be cut in 1962.

CHEMICALS see continued improvement this fall and 1961 a good year for sales; better than 1960. The tone is optimistic. Yet profits are held back by some price shading, while antitrust division casts a shadow.

ELECTRONICS competition has become keener, profit margins narrower. Consumer demand keeps pace with the general economic improvement. Factory output for 1961 will exceed 1960. Demand for radios and TVs, excepting auto radios, has been good.

(CONTINUED ON PAGE 182)

Money and Credit

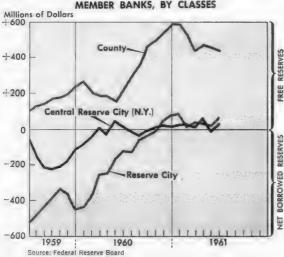




Since the start of the present economic recovery, member bank reserves have held close to a \$550,000,000 level. It would seem that, as the economy gathers momentum, the continuation of a policy of ease should show signs of reversal. But patterns of credit policy can differ in recession-recovery periods dependent upon varying underlying influences. A clue to the Fed's current credit inclination was

noted in a recent New York Federal Reserve Bank Letter:
"On the whole it would appear that, given the nature of the
bank credit advance in 1960-61 and its impact on bank
liquidity, [banks have been unable to recover as much
liquidity as in previous recessions] banks will be more dependent than in earlier recessions on the injections of additional reserves to meet growing loan demands."

RESERVE POSITIONS OF MEMBER BANKS, BY CLASSES





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Money and Credit (continued)

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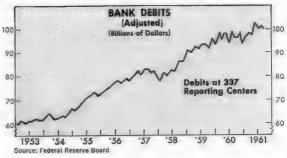
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SUMMARY OF SOURCES AND USES OF FUNDS

(in billions of dollars)

1953	1954	1955	1956	1957	1958	1959	1960+	1961‡
20.0	22.4	25.7	25.5	27.3	30.5	31.5	27.0	28.2
5.0	5.7	15.2	10.8	7.3	7.6	15.9	16.8	9.9
4.2	3.2	1.6	-6.1	_	6.2	10.5	-2.7	3.5
29.2	31.3	42.5	30.2	34.6	44.3	57.9	41.1	41.6
4.9	5.0	5.2	5.1	4.9	5.1	5.2	5.5	5.6
1.8	2.0	2.0	2.0	1.9	2.5	1.4	1.6	2.1
3.7	4.2	5.7	4.9	4.9	6.2	8.3	7.0	7.8
1.3	1.2	.9	.5	.8	.9	1.6	1.4	1.7
1.7	1.9	1.9	2.2	2.5	2.7	3.1	3.4	3.6
1.0	1.1	1.2	1.4	1.6	1.7	1.9	2.1	2.2
.4	.5	.8	.9	1.0	1.5	1.5	1.3	1.5
.3	.2	.4	.4	.5	.3	.7	.7	.6
15.1	16.1	18.1	17.4	18.1	20.9	23.7	23.0	25.1
4.0	10.3	5.0	4.3	5.0	15.2	4.2	8.8	8.1
2.9	.6	9.5	9	2.0	5.1	8.9	5.1	7.6
3.0	3.0	3.3	3.0	2.8	1.4	8.9	2.1	1.7
4.2	1.3	6.6	6.4	6.7	1.7	12.2	2.1	9
29.2	31.3	42.5	30.2	34.6	44.3	57.9	41.1	41.6
	20.0 5.0 4.2 29.2 4.9 1.8 3.7 1.0 .4 .3 15.1 4.0 2.9 3.0 4.2	20.0 22.4 5.0 5.7 4.2 3.2 29.2 31.3 4.9 5.0 1.8 2.0 3.7 4.2 1.3 1.2 1.7 1.9 1.0 1.1 .4 .5 .3 .2 15.1 16.1 4.0 10.3 2.9 .6 3.0 3.0 4.2 1.3	20.0 22.4 25.7 5.0 5.7 15.2 4.2 3.2 1.6 29.2 31.3 42.5 4.9 5.0 5.2 1.8 2.0 2.0 3.7 4.2 5.7 1.3 1.2 .9 1.7 1.9 1.9 1.0 1.1 1.2 .4 .5 .8 .3 .2 .4 15.1 16.1 18.1 4.0 10.3 5.0 2.9 .6 9.5 3.0 3.0 3.3 4.2 1.3 6.6	20.0 22.4 25.7 25.5 5.0 5.7 15.2 10.8 4.2 3.2 1.6 -6.1 29.2 31.3 42.5 30.2 4.9 5.0 5.2 5.1 1.8 2.0 2.0 2.0 3.7 4.2 5.7 4.9 1.3 1.2 .9 .5 1.7 1.9 1.9 2.2 1.0 1.1 1.2 1.4 .4 .5 .8 .9 .3 .2 .4 .4 15.1 16.1 18.1 17.4 4.0 10.3 5.0 4.3 2.9 .6 9.5 9 3.0 3.0 3.3 3.0 4.2 1.3 6.6 6.4	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

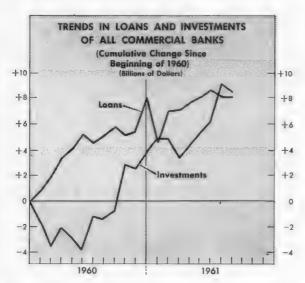
[†] Estimated

SOURCE: Investment Outlook, Bankers Trust Company, Mar. 3, 1961.

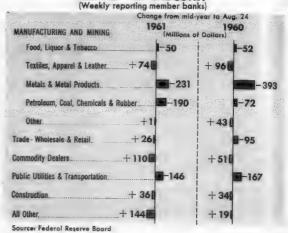
[‡] Projected

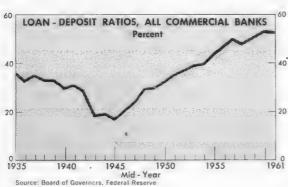
^{*} Includes revaluation of book assets of other holders.

Banking



CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS - BY INDUSTRY







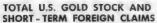
BANKING INDICATORS

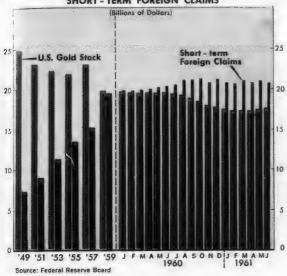
MONTHLY FIGURES All commercial banks (mil. of \$; estimates as of last Wednesday			Latest Month	Previous Month	Year Ago	Chan Month	ge in: Year
of month) Total deposits Demand, gross Time, gross	Aug.	9	223,670 143,080 80,590	225,680 145,830 79,850	211,270 141,130 70,140	-0.9% -1.9% +0.9%	+5.9% +1.4% +14.9%
Total loans Total investments	Aug.		117,700 86,400	118,100 83,600	114,850 76,180	-0.3% +3.3%	+2.5% $+13.4%$
Money supply (coin, currency and demand deposits in banks— seasonally adjusted—bil. of \$) Turnover of demand deposits (337 reporting centers—seasonally	Aug.	30	141.9	141.9	139.7		+1.6%
adjusted annual rate)	July		26.2	26.6	25.5	-1.5%	+2.7%
			Latest Week	Previous Week	Year Ago	Chan Week	ige in: Yea
WEEKLY REPORTING MEMBER BANKS (mil, of \$) Commercial and industrial loans Agricultural loans Real estate loans Other loans U.S. Government securities held	Aug.	30	31,453 1,112 13,055 16,253 33,457	31,498 1,116 13,038 16,224 33,322	31,174 1,047 12,881 15,422 27,750	-0.1% -0.4% +0.1% -10.2% -10.4%	+0.9% +6.2% +1.4% - 5.4%
ALL MEMBER BANKS (mil. of \$) Excess reserves Member bank borrowing Free (+) or net borrowed () reserves	Sept.	6	530 57 -+473	602 37 +565	658 261 +397	- 72 20 -92	12: 20: 7:

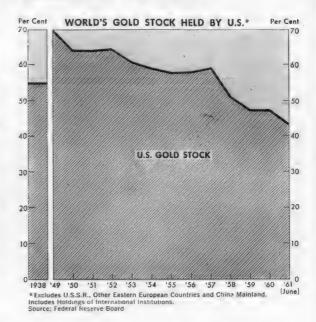
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U.S. International Financial Position







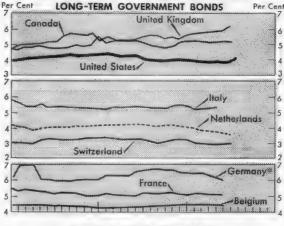
The U.S. balance of payments deficit rose in the second quarter of 1961 to \$456,000,000 from the first quarter gap of \$288,000,000. But the figure was smaller than the \$706,000,000 deficit in the second quarter of 1960.

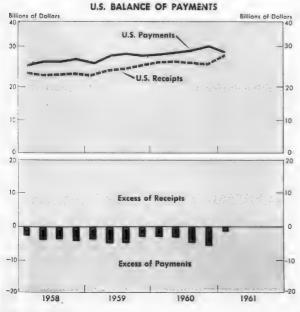
The heavy outflow of gold experienced in recent years ended last February, and since then the total U.S. gold stock has shown some recovery. Foreign-owned short-term dollar assets also have ceased to accumulate, but they still remain very large.

The possibility of renewed outflow of funds from the U.S. due to interest rate differentials still persists. In reviewing the importance of foreign exchange markets and the balance of payments to our national economic and financial policies, Alfred Hayes of the New York Federal Reserve recently stated

before a Congressional committee that "as the major foreign currencies have regained their strength and prestige, and facilities for capital transfers have become more readily available, we have now to face the problem of dealing with large-scale, and potentially disruptive, flows of short-term funds and other payments from one financial center to another."

INTEREST RATES IN SELECTED COUNTRIES







Federal Finance

INDEXES OF U.S. TREASURY SECURITIES

1960	3 mo. bills	9-12 mo.	3-5 yr. issues	Over Price	10-years Market Yield
June	2.46	3.10	4.06	86.50	3.99
Dec.	2.25	2.64	3.51	87.84	3.88
1961					
Jan.	2.24	2.63	3.53	87.70	3.89
Feb.	2.42	2.75	3.54	88.74	3.81
Mar.	2.39	2.76	3.43	89.07	3.78
Apr.	2.29	2.74	3.39	88.80	3.80
May	2.29	2.72	3.28	89.74	3.73
June	2.33	2.80	3.70	87.83	3.88
July 31	2.26	2.86	3.71	87.33	3.92
Aug. 31	2.35	2.90	3.78	86.20	4.01

Source: Federal Reserve Board.

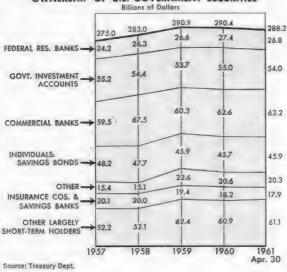
MATURING U.S. TREASURY ISSUES*

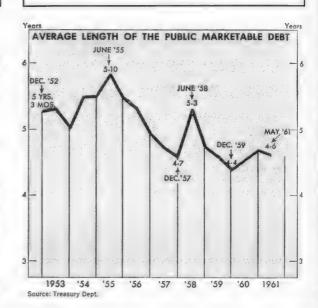
Remaining 1961 Schedule (Millions of Dollars)

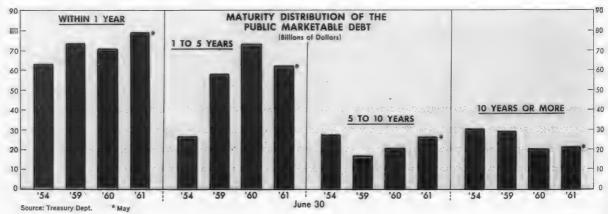
Issue and Maturity	Amount
23/4% bond, Sept. 15, 1961	\$2,239
Tax anticipation bill, Sept. 22, 1961	1,503
1½% note, Oct. 1, 1961	332
Special bill, Oct. 16, 1961	1,502
2½% bond, Nov. 15, 1961	6,963
23/4% bonds, Dec. 15, 1960-65	1,485

*Excludes regular weekly bills. Source: Treasury Dept.

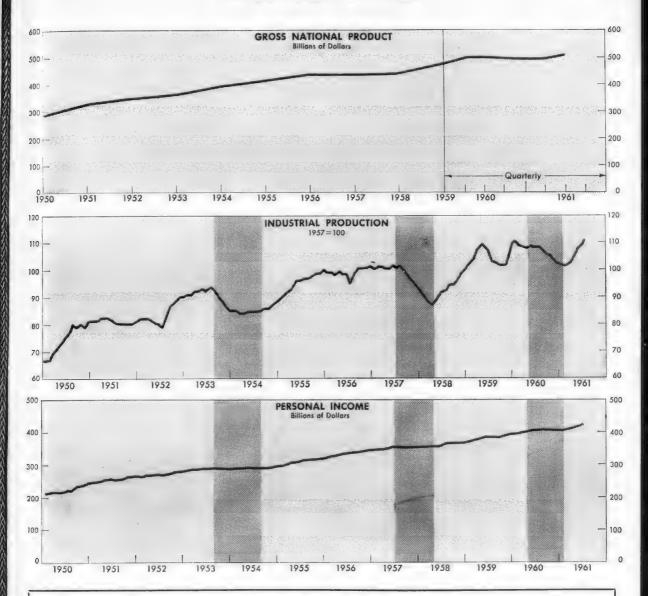
OWNERSHIP OF U.S. GOVERNMENT SECURITIES







Economic Trends



PERSONAL CONSUMPTION EXPENDITURES BY TYPE AS PER CENT OF DISPOSABLE PERSONAL INCOME

	DISPOSABLE		NON-				SERVI	CES -	OMMEND		
	PERSONAL INCOME (billions)	GOODS Total	GOODS Total	Total	Housing	Household Operation	Total	Transpor- tation	OTHER— Personal Services	Recre-	Other
1930	\$74.4	9.6%	45.7%	40.1%	14.8%	5.2%	20.0%	3.0%	2.3%	2.2%	12.6%
1940	76.1	10.2	48.9	35.4	12.3	5.3	17.8	2.8	2.0	2.2	10.8
1950	207.7	14.6	48.1	31.2	10.2	4.5	16.6	3.0	1.9	1.9	9.8
1955	274.4	14.4	45.5	33.7	11.2	4.9	17.6	3.0	1.7	1.7	11.1
1956		13.2	44.9	34.1	11.2	5.1	17.9	2.9	1.7	1.7	11.5
1957	308.8	13.1	44.6	34.7	11.4	5.1	18.2	2.9	1.7	1.7	11.9
1958	317.9	11.7	44.7	35.9	12.0	5.3	18.7	2.9	1.7	1.7	12.4
1959	337.2	12.9	43.8	36.4	12.0	5.3	19.1	2.9	1.6	1.7	12.8
1960	354.2	12.4	43.1	37.2	12.1	5.4	19.7	3.0		16.7	

SOURCE: Reprinted by permission of the National Industrial Conference Board from Technical Paper, No. 4, "Relative National Accounts," 1961 edition

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Balance Sheet of the

Banking Trends

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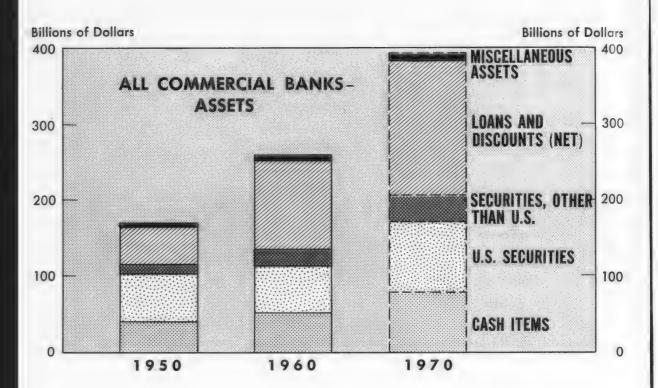
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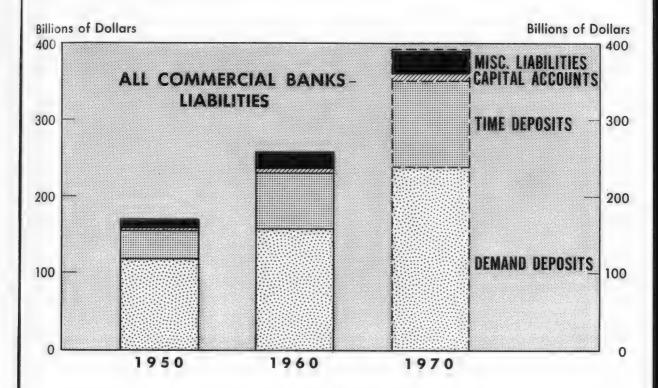


				MUT	UAL SAVIN	NGS		
	COMMI	ERCIAL B	ANKS*		BANKS			
	(b	illions of \$)	(billions of \$)				
				f year				
	1950	1960	1970 (est.)	1950	1960	1970 (est.)		
TOTAL ASSETS	\$170	\$258	\$392	\$22	\$41	\$76		
Cash-Balances with other banks								
and cash collection items	40	52	. 79	1	1	2		
Securities								
U. S. Government (including								
guaranteed)	62	61	93	11	6	11		
Other	12	21	32	2	6	11		
Loans and discounts (net)	52	118	179	8	27	50		
Loans and discounts (gross								
before valuation reserves)	53	120	182	8	27	50		
Real estate, total	14	29	44 -	8	27	50		
Secured by farm land	1	2	3			-		
Other loans to farmers	3	6	9		-			
Commercial and industrial	22	43	65	destates				
Personal loans	10	27.	4.1					
Miscellaneous assets	2	6	9		1	2		

^{*}Includes stock savings banks and non-deposit trust companies.

American Banking System

Through 1970



		ERCIAL B	. (b	UAL SAVIN BANKS illions of \$,)	
TOTAL LIABILITIES AND	1950	1960	1970 (est.)	1950	1960	1970 (est.)
CAPITAL ACCOUNTS	\$170	\$258	\$392	\$22	\$41	\$76
Deposits	156	231	351	20	36	67
Demand	119	157	239		-	
Time	37	74	112	20	36	67
Miscellaneous liabilities	2	7	10	-	1	2
Capital accounts	12	21	31	2	4.	7

Source: FDIC. 1950 data from 1950 annual report, Table 105; 1960 data from 1960 annual report, Table 106. Data for 1970 estimated by projecting 1950-60 growth rate of total assets and liabilities and attributing to each 1970 balance-sheet item the same percentage of the total as obtained at the end of 1960.

Note: Any discrepancies in summation are due to abbreviation of the items and the non-deduction of valuation reserves from gross loans and discounts. In the mutual savings banks columns, items below \$500,000,000 are blanked.

Washington

The After-Christmas Tax Package

THOMAS W. MILES =

Lest there be any misunderstanding, tax uniformity is by no means dead in this 87th Congress. Quite the contrary.

Action on The American Bankers Association's objective No. 1—making the tax treatment of savings and loan associations and mutual savings banks uniform with that of commercial banks—has been merely postponed by Congress, not given up.

When the House Ways and Means Committee decided August 23 that it could not conclude its deliberations on the Administration's tax package in the session's few remaining weeks, it laid the matter over until the second session in January. The announcement by Chairman Wilbur D. Mills (D., Ark.) said:

"This legislation will be perfected during the fall months, and will be the first order of business in the next session of this Congress. It is hoped that the Committee can report to the House by early February 1962."

A Disappointment

This was a disappointment, of course, to commercial bankers, the A.B.A., and its four cooperating groups of bankers. No wonder:

- Treasury had agreed to the inequity of the current taxation of these three types of financial institution.
- The Administration actually made the correction of this inequity part of its package of tax recommendations.
- Ways and Means had completed hearings on tax uniformity.
- And at least tentative decisions had been made on many features of the tax package by Ways and Means.

Then came last minute postponement. Time ran out. So far had A.B.A. and Company progressed, yet so elusive was their goal.

On the other hand, this may turn out to be a blessing in disguise. It may well mean the difference between a compromise hammered out under heavy legislative pressures in the closing days of the session and an equitable tax formula. Furthermore, it gives commercial bankers more working time. It should go without saying that this also applies to their competitors.

Chances: Excellent!

What are the chances for tax uniformity next session? The answer is: Excellent, if there is a tax bill. That takes some explaining.

In view of the need for revenue and the Administration's recognition of the tax treatment of savings and loan associations and mutual savings banks as a "loophole," it must be expected that both the Administration and Congress will try to get action early. Plugging this loophole can divert to Treasury revenues that the Administration sorely needs for the balanced budget the President has promised to submit in January.

But while the carry-over tax package will have priority in the second session, it will also have complications. The most significant of these is the commitment the Administration has also made for over-all tax revision. What a swarming ant hill of scurrying special interests that will open!

Anything Can Happen

Under the circumstances anything can happen. Keep in mind the fact that the second session comes in an election year. At the close of shop one-third of the members of the Senate and all members of the House of Representatives report back to their respective states and Congressional districts, and submit themselves again to the voters who seem to remember best their most recent actions. des cur tax isla

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For that reason an election year is not one in which to expect much in the way of taxes. But these are not normal times. The tax package might be passed early to meet the increased defense spending in the new Federal budget. In that event a start might also be made in general tax revision and final action put off until the new Congress comes in.

On the other hand, the Administration might find it expedient to abandon its tax package as such and include various elements in its tax revision program. How far that would get next year would depend upon the need for revenues and the appeal of the proposals themselves. In any case tax uniformity must certainly be included in view of the Administration's commitment.

Separate Bill Possible

It is quite possible that uniformity might be lifted out of the tax package, along with a number of other revenue producers, and promoted in a separate bill by the Administration soon after Congress begins to shape up.

What has happened in this first session is a break-through in the impasse over the taxation of mutual financial institutions. Regardless of delays in the immediate future, savings and loan associations and mutual savings banks are most certainly going to be made to carry a larger share of the general tax burden. They have been scheduled for it for some time. First, it was the mutual insurance company, then the co-ops, and now the mutual financial institutions. The grim realities of

the Federal fiscal situation will dictate the removal of this tax shelter despite its political appeal.

Now that the combination of circumstances looks so favorable for tax uniformity, the need for the legislative campaign has been questioned. That question is in the best tradition of the Monday morning quarterback. In answer, it is enough to point out that the attainment of legislative objectives does not "just happen" in Washington. Without doubt the planning and the work done by the A.B.A. and its allies, coupled with the necessary "breaks," has brought about the favorable sitnation. And a lot more work will have to be done to change that from favorable to fact.

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The Story Behind Postponement

What is the story behind the Ways and Means decision to carry over the Administration's tax package to next session? Both Democratic and Republican members of Ways and Means agree that the lack of time prevented action this session. But why?

In his announcement of this decision Mr. Mills dwelt on the 8% tax credit to business to invest in plant expansion. He pointed out that this was "the heart of the President's program," and added:

"We agree with this basic concept advanced by the President and concur in his belief that an investment credit is not only the proper way to provide a tax incentive to attack our long range problem of economic growth at home and our problem of staying competitive in the markets of the world, but is also the most effective."

Nonetheless the prolonged discussion over the tax credit was one cause of the delay. The tax credit became controversial. It was denounced in a statement issued by the 10 Republican members of Ways and Means shortly before Mr. Mills' announcement. They called it "a scheme contrived to subject our private economy to a Government-controlled, on-again-off-again tax incentive."

Tax Incentive

It was also apparent at the Ways and Means hearings on the tax incentive that it did not win the support from the business community it was designed to enlist. Privately some businessmen saw it as a sop

Status of Certain Legislative Measures

	House						SENATE			
	Hearings	Reported	Debated	Passed	Defeated	Hearings	Reported	Debated	Passed	Defeated
Tax Uniformity	X									
Withholding on Interest and Dividends	X				1					
Douglas "Truth in Lending" Bill	1									
(S. 1740)						X				
National Bank Loan Limit (H. R. 7796)	X									
Production Credit Associations (S. 1927)	X	X		-		X	X	X	X	
Ownership of Stock of Service Corp. (H. R. 8847)										
Small Business Bills	X	X	X			X	X	X		
Pensions for Self-Employed (H. R. 10)	X	X	X	X		X	X			
Welfare and Pension Fund Disclosure	X	X	X		X	X				

for the tax increase that may be necessary next year. And they would not buy it.

Withholding

Another feature of the tax package that contributed to delay was mandatory withholding at the source on dividends and interest. Members of Congress heard much about that from their constituents—and it was not favorable.

Representative John W. Byrnes (R., Wis.), a ranking minority member of Ways and Means, blamed the failure of the committee to report a tax bill on "the Administration and particularly the Treasury Department." His statement was released the same day Mr. Mills' announcement was made.

Mr. Byrnes said the committee's decision "stems from the fact that the initial Treasury recommendations were not thought out in sufficient detail and were not based on thorough study." He charged that Treasury repeatedly reversed itself and failed to reach policy decisions that could stand Committee examination on many of the Administration's proposals.

Other Problems Responsible

Neither Mr. Mills nor Mr. Byrnes made any reference in their statements to tax uniformity. From that it is evident that the problems they cited, and not tax uniformity, brought about the postponement.

That something was brewing in Ways and Means on the tax package became evident early in the week of August 14, after the hearings, when the committee was supposed to start executive sessions on a bill. Twice that week Secretary of the Treasury Dillon was scheduled to go before the committee and each time his visit was called off. Then on the 23rd the postponement was announced.

Tax Uniformity

Tax uniformity, as the last item sent by Treasury to Ways and Means for the tax package, also suffered delay. Although it was cited in President John F. Kennedy's tax message, and Treasury promised to suggest specific language, it was a long time in coming.

Housing Finance Agencies Aroused

That was because the housing finance agencies in the Federal establishment had been aroused. They raised questions with the White House and with Treasury about the effect that taxation of the savings and loan associations and mutual savings banks would have on mortgage funds.

Compromise Sought

The issue was jockeyed back and forth between the White House and Treasury in an effort to work out a satisfactory compromise. Then, when Treasury did send its report to Ways and Means, that report reflected some of the pulling and hauling that was involved. Instead of a definite recommendation to Congress, Treasury offered a choice of three. This left Ways and Means, already beset with controversial decisions, still an-

other to make. Now, of course, it has a few months of grace.

Under the circumstances, it would have been a hard decision. The pressures applied by the opponents of tax uniformity were great. Members of Ways and Means and other House members were solicited anxiously by small savers whose concerns had been raised about the possibility of a reduction in the return on their rainy-day accounts.

Some House members said this mail outweighed that on any other issue during the year, even more than on Federal aid to education which, up to that time, brought forth the greatest volume of letters. Congressmen pointed out that much of it was "inspired mail," that is, letters stimulated by an organized letter-writing campaign. Even so it expressed a genuine concern that Congressmen could not ignore.

The Problem Defined

It is outside the scope of this Washington column to suggest a solution to the problem that commercial bankers face in pressing their case for tax uniformity in Congress. But it can define the problem from a Washington point of view. It is one of getting depositors to identify themselves with the welfare of their bank.

Why? Because people in surprising numbers write to their Congressmen about public matters affecting their personal welfare. If they can be shown that the welfare of their bank as a business institution, that of its employees as neighbors and friends, and their own as customers are wrapped up together, they will be more responsive to unfair competition affecting their bank. It has been demonstrated here that they do write when involved of specific issues.

Taxpayer Numbers

It appeared likely at this writing that the Senate would pass the House-approved bill for a taxpayer account numbering system. Representative Noah Mason (R., Ill.) described its purpose in these words during House consideration:

"... the adoption of the account number system will improve and strengthen the processing procedures involved in the handling of millions of tax forms received by the internal revenue system every year."

CMC Member Explains Report

DEFENDING the controversial report of the Commission on Money and Credit, J. Cameron Thomson, commission member and retired chairman of the board of Northwest Bancorporation, told a meeting of the CED Associates in Dallas that "No member of the commission . . . endorses personally every specific proposal in its entirety or concurs fully with every statement in the supporting analysis." But, he added, all the members approve the major substance of the report.

Mr. Thomson pointed out that the commission members submitted over 140 footnotes which covered over half of the recommendations as evidence of the wide divergence of opinion within the group.

Recognizing the deluge of criticism of the report from the left and the right (some claimed the recommendations went too far and others that they didn't go far enough) Mr. Thomson said that he expected even more criticism of the report.

"The most novel and controversial recommendation in the report," according to Mr. Thomson, "is the one dealing with an increase or decrease of five percentage points in the first bracket income tax rate for the pur-

pose of aiding economic stability. . . ." The commission has recommended "that Congress grant to the President limited conditional power to make temporary counter-cyclical adjustments in the first bracket rate of the personal income tax." Mr. Thomson was one of the commission members who opposed this recommendation.

Answering critics who have accused the commission of recommending that the Federal Reserve be made more political, Mr. Thomson stated that one must recognize that the Federal Reserve is an arm of the Government "and that it may be embarrassing to a holdover chairman to know that he is not acceptable to the incoming President." The commission has recommended that the chairman and vice chairman of the Reserve Board be appointed by the President and serve concurrently with the President's term.

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Mr. Thomson warned his audience that if they were impressed with the importance of the study, then they and other leading citizens should use their influence on Congress to insure that the matters covered in the Commission's report will be dealt with promptly.

Although the bill does not specify the numbering system, Internal Revenue Service has indicated that it intends to use Social Security numbers.

This may have a bearing on one feature of the Administration's tax package, that calling for withholding on dividends and interest. The rapid development of the Treasury's automatic data processing (ADP) program may lower the priority of mandatory withholding. The A.B.A. has urged the speeding up of ADP as an alternative to withholding. And, as pointed out earlier in this article, the opposition to withholding has been voluble.

Early last month there was a development in the campaign for the bill, S. 1740, which Senator Paul H. Douglas (D., Ill.) has entitled "Truth in Lending." A clothing store chain took a full page ad in the Washington papers to review Hillel

Black's book, "Buy Now, Pay Later."

In addition, reprints of the Bowery Savings Bank advertisement in New York newspapers with the caption, "A Mother Says: 'We Went Bankrupt On the Installment Plan," were being distributed. The two ads raise the question whether they are opening shots in a coordinated campaign for public support of the Douglas bill.

Although a Senate Banking and Currency Committee subcommittee, headed by Senator Douglas, held eight days of hearings on the bill, more sessions will be held when Congress returns. The committee will hear the amendments that the Federal Trade Commission wants before undertaking to administer the bill, the Federal Reserve Board having begged off as "an inappropriate body." Similar bills are pending in the House Banking Committee.

A Talk with the Manager of Our \$294-Billion Debt

Question: Has "Operation Nudge" been a failure?

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Answer: It seems to me that the results of the co-ordinated Federal Reserve-Treasury efforts thus far have been remarkably successful. Our purpose was to stem an outflow of short-term funds abroad while encouraging a flow of funds into constructive channels at home. To be sure, if anyone thought the aim was to substitute our judgment for the functioning of market forces, to impose arbitrarily some preconceived schedule of interest rates on Government securities and the credit market generally, then by that standard we have, thankfully, failed.

Too many observers mistakenly confused ends and means. They interpreted the main objective of the policy as simply that of reducing, or 'nudging" down, intermediate and long-term interest rates. The actions we took did, of course, work in the direction of holding up shorter-term interest rates in the money market and lowering other rates. If the demands for funds had not responded strongly, longer-term rates would be much lower than they are today. But because we were successful in influencing the flows of funds that the policy was designed to affect, or "nudge," short-term rates have for the most part remained in the range currently appropriate for international equilibrium, and longer rates. after some declines, have been held up by the force of market demand.

I think it is not mere coincidence that during the April-June period of this year, when what has popularly been labeled "Operation Nudge" had really become a positive force, the aggregate of new market offerings—corporate, state, and municipal—reached an all-time record for any quarterly period in any year. Not only have the apparent results in the

Our Washington correspondent Herbert Bratter asked seven timely questions. The Under Secretary of the Treasury, Robert V. Roosa, replied frankly. Mr. Roosa's answers not only illuminate recent Treasury operations but shed light on some future activities

U.S. credit markets been striking but the outflow of dollars to financial centers abroad has slowed down decisively. There has been much good fortune in all of this, of course, but "Operation Nudge" has played an important part.

Question: How has debt management been involved in this operation? The Government trust fund accounts?

Answer: As for the role of debt management: The influence of governmental financial operations is always being felt, so the problem is to insure that it is working in the right direction. To illustrate: Thus far in 1961 we have concentrated our new cash financings mainly in short-term issues, while using our refunding operations to maintain the same average maturity of the debt with which we started. Thus, we have been able to satisfy "housekeeping" needs and at the same time to avoid either diverting long-term capital from productive private uses or providing any interest incentive to short-term outflows.

In our administration of the various Government trust funds and investment accounts we have taken advantage of opportunities to increase their earnings. This has been done through reducing very short-term

holdings, within prudent limits, and enlarging holdings of higher yielding long-term obligations which were suitable to the special needs of each of the funds. The desire to obtain the highest possible yield for the Government trust funds, to which, as trustee of these funds, we must give priority, has coincided in recent months with our other objectives.

Question: How does the accelerated defense program affect the Treasury's debt management job?

Answer: There will be little or no effect on the size of our debt management task in the remainder of calendar 1961. The main impact of the increased expenditures on our cash flows, and consequently our borrowings, will be felt in the last half of the fiscal year.

It is estimated that of the \$3.5-billion the President requested, \$2.7-billion will be spent in fiscal 1962. Virtually all of this latter sum is scheduled to be spent in the last half—or even the last quarter—of the fiscal year when Treasury tax receipts are typically heavy and afford a seasonal surplus that customarily allows the Treasury to reduce its short-term debt. The new programs, by altering the customary seasonal surplus, have changed the time sequence of some of our borrowing

plans. Reliance on borrowing that would mature in the second quarter of 1962 has already been reduced. Maturity of part of the Treasury's recent cash borrowing has been scheduled for the spring of 1963, when the return to a balanced budget for the fiscal year will again assure a seasonal cash surplus of substantial size.

Question: How has the balance of payments problem affected debt management? Is this a continuing consideration?

Answer: International considerations, as I noted previously, represent a new dimension in our debt management deliberations. Flows of short-term capital between financial centers have long been a fact of international economic life, but they have been given renewed significance by the widespread moves toward currency convertibility of the past three or four years and the development or additional strong currencies. Both lenders and borrowers are free to shift from one financial center to another in response to interest rate or other considerations. Thus, interest rates here and abroad have increasingly significant effects on capital movements, particularly short-term, entering into our balance of payments.

Monetary policy obviously must take a leading role in any attempts to cushion or minimize these flows of short-term capital. Official activities in the foreign exchange markets may provide some further help in any such efforts. But debt management also has an important influence upon the level of short-term interest rates, so we try to assure that at any given time this influence will be appropriate.

Question: What is the new attitude of the United States toward international economic cooperation and how is it being carried out?

Answer: The United States has become an active partner of other nations of the non-Soviet world in a variety of steps and organizations directed toward increased economic cooperation. To this end the United States has ratified the OECD charter and played an active role in the OEEC/OECD. We have been having

Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs



frequent meetings of senior officials of the major countries in which the basic balance of payments situation is examined. The analyses have been frank and searching, and I think both debtor and creditor countries have gained much from them that has already been reflected in their policies and actions.

The U.S. has also provided initiative and active support for the Development Aid Group. In the DAG we have been emphasizing that the problem of raising the living standards of the less developed countries is a long-term problem which can be met only through mutual recognition by all industrial countries of the necessity to provide financing and long-term aid programs to an extent commensurate with their capacities.

The U.S. also continues to support the plan for expansion of the resources available to the International Monetary Fund. And only recently we concluded with our Latin-American neighbors a far-reaching agreement which promises to generate a decade of stepped-up progress in Latin America. All such moves toward greater economic cooperation not only help to insure an efficient allocation of the world's resources so as to provide the most effective guar-

antee to rising standards of living, but also provide the basis for the equitable sharing among industrialized nations of assistance to the less developed areas. 30

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Finally, the U.S. is now associated with the cooperative attempt by central banks of the Western world to provide a first line of defense against the impact of capital flows on exchange markets and international reserves. Over time, I personally would hope to see the development of a greater sharing among other industrial countries of some of the responsibilities which we and the British now carrry as the principal "key currency" countries. It seems to me that this is a promising path toward resolving the problems characterized as "a shortage of international liquidity" or as "a tendency toward persisting financial imbalance."

Question: Why has the Treasury engaged in foreign exchange operations (including forward exchange) and what has it accomplished by these operations?

Answer: The development of increasingly free financial markets and the return to convertibility of

(CONTINUED ON PAGE 158)

II. GEOFINANCE U.S.A.— Banking's New Dimension

Try These for Size

Usually bankers have a habit of watching growth trends as a whole because they are in a good position to do so and banks serve all businesses and all classes of consumers. More than any other single commercial activity, banks are tied in completely with the prosperity and growth of their communities as a whole.

True, it's a little like saying that lawyers, doctors, manufacturers—everyone has a habit of watching developments in his respective field, by reading trade and professional magazines. If they did not, they would not remain successfully in business.

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Growth is a word that should have been worn to tatters with constant use and misuse in recent years, but there is no need to apologize for using it again. Growth means "change," and change means "constantly new," and newness is the principal phenomenon of present day life—newness of problems, products, and methods.

Seven League Boots Needed

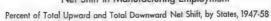
So it will do no harm to preview quickly the striking growth trends promised by figures now available, resulting from the concurrence of today's 3-in-1 revolution of transportation, industry, and population.

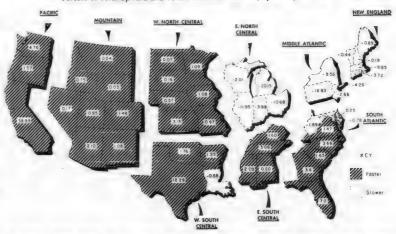
According to the Association of American Railroads, the projections of transportation economists indicate a doubling of inter-city freight traffic by 1980, as the United States builds the equivalent of 15 Chicagos to take care of 60,000,000 additional people.

By 1980 the nation's population will exceed 260,000,000, unless we stop expanding, and there is no sign Our 3-in-1 economic revolution—transportation, industry, population—together give extraordinary momentum to the geographical spread of living, working, and business generally—an interesting parallel of decentralization and centralization proceeding concurrently. The financial prospects include greatly increased spending for schools, water, sanitation, and all public works. These are unusual opportunities for banking growth and leadership. See page 35 for some bankers' opinions on the outlook in the West, timed with the San

Net Shift in Manufacturing Employment

Francisco convention this month.





In those states which are shaded the percentage increase was higher than the total national increase of 8%. In those which are unshaded the rate of increase was less than the national rate. The numbers over each state refer to that state's share of the total upward net shift (for shaded states), or the total downward net shift (for unshaded states). This map comes from a study, Postwar Trends in Industrial Location, by Victor Roterus, director, Office of Area Development, Business and Defense Services Administration, U.S. Department of Commerce

of that. This is a net increase of about 3,000,000 yearly, and new families are being formed at the rate of about 800,000 each year.

Trustworthy estimates of the amounts to be spent on new construction in the current decade alone approach \$675-billion, and about a third of this will be for public works. In every area and practically every community there are active development groups, and often the leading members of such groups are bankers.

The annual construction rate today is well in excess of \$50-billion, and will be \$80-billion by 1970.

With a half million dwelling units lost annually through obsolescence and only 1,150,000 new ones built, it adds up to a housing deficit of several hundred thousand units yearly, unless home construction gains sharply.

A somewhat appalling statistic is that the number of automobiles will rise to 114,000,000 during the next 15 years from today's 70,000,000.

These are just a few of the reasons why urban renewal, area development, and regional planning have become problems of first importance.

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Watch Where You're Growing

So we are growing, and the centers of growth are shifting from region to region, and from the central cities to the new cities of the suburbs.

To the bankers who are in midcareer and to those just starting, this picture is no statistical fantasy but an actual condition which they will experience.

A peaceful world is essential, of course, and we must obviously assume that some way will be found to maintain peace. But only the future can say whether this happy assumption is warranted.

The business of watching where you're growing involves a number of things, and we'll examine two of them in this issue: (1) the banker's part in the rising volume of public works and (2) the banker's part in the new industrial revolution. Some opinions of bankers are expressed in six interviews starting on page 54.

Financing Public Improvements

A phase of bank service that is increasing fast in importance, and has not received the public attention that its importance merits, is the active

Loans and Assets by Regions, Insured Commercial Banks, on a Per Capita Basis at End of 1960

	NEW	MID-	GREAT		SOUTH-	SOUTH-	ROCKY	FAR
	ENGLAND	EAST	LAKES	PLAINS	EAST	WEST	MOUNTAIN	WEST
Bank assets	\$1,094	\$2,104	1,431	1,352	\$848	\$1,319	\$1,244	\$1,586
Business loans	214	443	165	147	118	240	148	277
Consumer loans	146	187	159	123	112	142	139	159
Mortgage loans	135	190	183	141	82	68	155	295
Agriculture loans	5	7	23	113	13	42	84	29

Competition for Savings by Regions and Per Capita at End of 1960

Personal income Savings at:	\$2,489	\$2,629	\$2,401	\$2,082	\$1,617	\$1,922	\$2,101	\$2,656
Commercial banks S&LA'S	224 286	431 326	445 451	312 328	194 253	213 230	333 317	533 502
Savings banks Credit unions	941 39	665	** 35	**	13	24	3	**

Maine* N. H.* Vt.* Mass.* R. I.* Conn.'	N. Y.* N. J.* Pa.* Del.* Md.* D. C.	Mich. Ohio* Ind.* Ill. Wis.*	Minn.* Iowa Mo. N. Dak. S. Dak. Nebr. Kans.	Va. W. Va. Ky. Tenn. N. C. S. C. Ga. Fla. Ala. Miss. La. Ark.	Okla. Tex. N. Mex. Ariz.	Mont. Idaho Wyo. Colo. Utah	Wash.* Oreg.* Nev. Calif.
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^{*} States where mutual savings banks are located.

SOURCE: Compiled from Federal Home Loan Bank Board and FDIC data.

^{**} Data omitted in some regions because of small number of savings banks.

part taken by banks in seeing that public works are soundly financed.

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Every year in the past decade has seen a rise in the amount of state and local government securities outstanding, and the same forces which caused this expansion are still present and even more potent. The proportion of these securities held by commercial banks has shown the same steady upward trend.

Securities of State and Local Governments, Territories, and Possessions Outstanding June 30, 1952-1960 (in billions of dollars)

	Total	Held by
Year	outstanding	commercial bank
1952	29.3	9.9
1953	32.3	10.7
1954	37.4	12.0
1955	42.8	12.8
1956	47.6	13.0
1957	52.1	13.4
1958	56.8	15.8
1959	62.0	17.0
1960	66.4 (p)	16.8
	p = prel	iminary

SOURCE: Annual Report of the Secretary of the Treasury on the State of the Finances, 1960,

Note that the volume outstanding has risen at an average rate of between \$3- and \$4-billion yearly, and that the proportion in commercial banks is around 25%.

At this rate the volume outstanding would be approaching \$150-billion by the end of the 1960s, but for many reasons the rate of expansion may even increase.

One of the noteworthy findings of the latest study by the Highway Research Bureau of the National Research Council is that the typical business firm does not begin to realize the full economic impact of modern highways. That goes double and triple when you add the impact of improvements in other forms of transportation, plus the new industrial revolution and the population explosion.

Banks Less and Less "Silent Partners"

The practice of banks as investors in state and local bonds varies widely. Some merely buy from the recommended lists sent out by correspondent banks. Others associate themselves more closely with the operation from start to finish, playing the part of advisors to local financial au-

thorities to assure the quality of the issue and the quality of the purpose for which the money is to be spent.

As the volume grows and the purposes become more varied, the tendency is for banks to become more than silent partners.

"The problem has been complicated in recent years," says the Bankers Trust Company of New York in its Manual for State and Municipal Fiscal Officers, "by an increasing demand for new and better services and a rapid rise in the cost of all aspects of government."

Among the factors in credit rating mentioned by this manual are:

"The general economy of the area—is it growing or retrogressing? What action is being taken by the authorities to improve the economic climate, and will it be effective?

"The amount of industry in the area and the nature thereof. Is it sufficiently diversified? To what extent is the area affected by economic recessions? Is industry moving in or leaving?

"Quality of services and facilities now being provided and the condition of public facilities and equipment. "Factors which may affect stability of the area or the economy—such as political, social, or labor problems of an unusual nature."

These and a vast number of other intimate details which interest bankers in connection with financing public improvements are spelled out even more fully in the *Guide for Municipal Credit Files* published by the National Bank Division of The American Bankers Association.

The *Guide* includes forms or test sheets pertaining to every kind of obligation and every important detail of each. Below is a sample of one.

Note, for example, these two paragraphs from the Association's *Guide* referring to this particular test sheet:

"Soundness of the Project—Character of Service Rendered. The fundamental test is whether the service is an essential one (examples: electric or water) or a luxury (examples: golf course or swimming pool).

"An engineering survey by a reliable firm is important to estimate earnings; also the useful life of the property being acquired or constructed. Public bidding on construc-

TEST SHEET-MUNICIPAL REVENUE BONDS

PART I

APPRAISAL OF GENERAL ASPECTS

OVISIONS					
	A-SC	OUNDNESS OF T	HE PROJECT		
1. *Character of Service Rendered	2. Type Prole		. Competitive	4. Othe	r guarda
□ essentia:	□ acquis		yes yes		rendum of voters
[] luxury	□ exten		no no		c sale of bonds
	[] constr		franchise protection	D publi	neering survey sliable firm c bidding on ruction contracts
	B-BACK	GROUND OF TH	E COMMUNI	TY	
Type of Predominatin residential divers	g Economy Ified and stable	2. Secular Trend of Economy	3. *Recor Gener	rd in Meeting rai Obligation	4. Hazard of Catastrophe
industrial one in	dustry	☐ Improving	ne defi		great
🗆 commercial - 🗀 seaso	nal	atatic	aince i	1930	☐ average
agricultural cyclic	al	declining	default	t	□ low
			(da	ate)	
5. Population Served		_ Composition		Growth%	
	C-MAN	AGEMENT AND	SUPERVISIO	N	
es. Management	[] non-partisan	commission or boar	d of trustees	∐ direct u	nit of government
2. Accounting Practices		Independent audite		[] regular repor	ts to bondholders



A Town Development Committee of a small community meets in a local bank to work out a project to bring a new industry into the town, a scene from the film "Banking on Farmers" released by the Public Relations Committee of the A.B.A.

tion contracts eliminates the possibility of political favoritism, and should include a penalty bond to insure completion."

Two Authorities Discuss Banking's Role

BANKING interviewed two authorities in the field. First, we want you to meet Frank E. Morris, research director of the Investment Bankers Association of America, and listen in while we ask him several questions.

Question: "Mr. Morris, where can one best obtain regular information on bank buying of state and local securities, totals, and purposes?"

Answer: "The Treasury Department makes an annual estimate of the holdings of state and local government securities by various investor groups. This information is published in the annual report of the Secretary of the Treasury. Quarterly estimates of bank buying of municipal securities are made by the Fed-

STATE AND LOCAL GOVERNMENT SECURITY ISSUES

NEW CAPITAL TOTAL, BY PURPOSE BILLIONS OF DOLLARS QUARTERLY BILLIONS OF DOLLARS 12 3.0 4th QUARTER REFUNDING NEW CAPITAL - TOTAL 3rd QUARTER HIGHWAYS AND BRIDGES 2nd QUARTER SCHOOLS 10 2.5 HOUSING 1st QUARTER OTHER PURPOSES 2.0 8 1.5 1.0 . 5 2 0 1962 1954 1960 1961 1954 1956 1958 1960 1956 1958 1960 -11-

Latest Figures Plotted: 1st QUARTER

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eral Reserve Board and are published in their quarterly flow-of-funds accounts. These estimates are for total purchases of municipal securities. I know of no estimates of bank buying of municipal securities by purpose of issue."

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Question: "What does the IBA compile regularly on this subject pertaining to banks?"

Answer: "We publish regularly in the IBA Statistical Bulletin quarterly statistics on the management of municipal issues. Of the 60 principal managing underwriters of new municipal issues in 1960, 19 were commercial banks. In order of their importance in this field in 1960, they were the following:

Bank of America, N.T.&S.A. Chase Manhattan Bank Bankers Trust Company First National City Bank of New

First National City Bank of New York Harris Trust and Savings Bank

Northern Trust Company of Chicago

Chemical Bank New York Trust Company

Morgan Guaranty Trust Company First National Bank of Chicago Continental Illinois National Bank and Trust Company of Chicago Marine Trust Company of Western New York

Security First National Bank of Los Angeles

First National Bank of Memphis Wachovia Bank and Trust Company in Winston-Salem

First Western Bank & Trust Company, San Francisco

National State Bank of Newark California Bank

Wells Fargo Bank American Trust Company

Commerce Trust Company of Kansas City"

Question: "How important are commercial banks in the financing of local public works through direct purchases of municipal issues, as well as through the distribution of such bonds to other investors?"

Answer: "Commercial banks are very important in the municipal bond market, both as investors and as underwriters of new issues of municipal securities. Commercial banks constitute the largest institutional group of holders of municipal bonds. The Treasury Department's figures show that as of June 30, 1960, com-

mercial banks held \$16.8-billion in state and local government securities, out of a total of \$66.4-billion. This represents 25.3% of the total outstanding. Commercial bank purchases of municipal bonds vary widely over the business cycle. They are heavy buyers of municipal bonds during recessions and early recovery periods. Their buying of municipals tends to diminish sharply during periods of economic expansion as business loan demand grows. The sharp cyclical fluctuation in commercial bank purchases of municipals is a significant determinant of interest rate fluctuations in the municipal bond market. Even though commercial banks tend to restrict their purchases of municipals to maturities of 10 years or less, their investment policies tend to set the tone for the municipal bond market.

"Commercial banks are also important in the underwriting of new municipal issues. An analysis of first quarter 1961 bond sales shows that about 30% of the total number of issues were managed by commercial banks, with about 68% being managed by investment banking houses, the remaining 2% being privately

THE COMMUNITY'S RESOURCES AND PAST RECORD

		A. E6	CONOMIC STABILITY	
٠١.	Type of predominat	Ing economy	2. Secular trand of aconomy	J. Heserd of catestrophs
	residential	diversified and stable	□ Improving	great
	☐ Industrial	one Industry	□ static	□ average
	commercial		declining	[] low
	agricultural	□ cyclical		_
	0			
			B-POPULATION	
•1.	Size	2. Composition	on •3. Gr	owth %
		CAS	SESSED VALUATIONS	
1.	Trend	C-A3.	SESSED VALUATIONS	
	☐ Increasing	☐ declining	Reason	
	Assessed valuation		(date) \$	
3,	Taxable property s	seesed valuation is	% of full value	
٠4,	Estimated full valu	10 \$		
		D MEAGURE	S OF TAX PAYING ABILITY	
		D-MEASURE	OF TAX PATING ABILITY	
٠١.	Full value of taxat	ble property per capita \$		
2.	Percentage of popu	station filing income tax retu	rna%	
	Retail sales per cap		rne%	
			ensS	
		sita \$	E-TAX RECORD	
3.	Retail sales per cap	sita \$	E-TAX RECORD	o, 19 <u> </u>
3.	Retail sales per cap	ita \$.	E-TAX RECORD	o, 19
3.	Retail sales per cap	current levy (latest 5 years)	E—TAX RECORD	s, 19 <u> </u>
3.	Retail sales per cap Percent collected of	current levy (latest 5 years)	E—TAX RECORD	s, 19%
3. •1. 2. 3.	Percent collected of 19	current levy (latest 5 years)	E—TAX RECORD	o, 19%
3. •1. 2. 3.	Percent collected of 19	current levy (latest 5 years)	E-TAX RECORD 19	, 19%
3. *1. 2. 3. 4.	Percent collected of 19 Tax Umilations Priority of tax colle Other Income—perc	current levy (latest 5 years)	E—TAX RECORD 19	5, 19%
3. 1. 2. 3. 4,	Percent collected of 19 Tax Umilations Priority of tax colle Other Income—perc	current levy (latest 8 years)	E—TAX RECORD 19	o, 19
3. 1. 2. 3. 4,	Percent collected of 19 Tax Umilations Priority of tax colle Other Income—perc	current levy (latest 8 years)	E—TAX RECORD 19	. 19%
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3. •1. 2. 3. 4.	Percent collected of 19 Tax limitations Priority of tax colle Other inceme—perc municipal is Effective tax rate priority of tax collective tax rate priority of tax rate priority of tax collective tax rate priority of tax rate pri	current levy (latest 8 years)	E—TAX RECORD 19	o, 19
3. •1. 2. 3. 4.	Percent collected of 19 Tax limitations Priority of tax colle Other inceme—perc municipal is Effective tax rate priority of tax collective tax rate priority of tax rate priority of tax collective tax rate priority of tax rate pri	current levy (latest 5 years) %, 19 retiona ent of total revenues tilities r 5100 full value of taxable pr record— of principal or interest since if feut	E—TAX RECORD 19	autt.
3. •1. 2. 3. 4. •6.	Percent collected of 19	current levy (latest 8 years) cutrent levy (latest 8 years) %, 19 cutiona snt of total revenues stillities er \$100 full value of taxable pr record— of principal or interest since of taxable pr fault (date)	E—TAX RECORD 19	
3. •1. 2. 3. 4. •6.	Percent collected of 19	current levy (latest 8 years) %, 19 vections	E—TAX RECORD 19	ault (date)
3. 2. 3. 4.	Percent collected of 19	current levy (latest 8 years) %, 19 vections	E—TAX RECORD 19	ault. (date)
3. 2. 3. 4.	Percent collected of 19	current levy (latest 8 years) %, 19 vections	E—TAX RECORD 19	ault (date) ded (date)
3. 2. 3. 4.	Percent collected of 19	current levy (latest 5 years) ———————————————————————————————————	E—TAX RECORD 19	ault (date) ded (date)
3. · · · · · · · · · · · · · · · · · · ·	Percent collected of 19	current levy (latest 5 years) ———————————————————————————————————	E-TAX RECORD 19	ault (date) ded (date)

placed (largely with state pension funds). In terms of numbers of issues managed, the picture is about the same whether you are considering all municipal issues or issues of \$250,000 or under.

"In terms of the dollar value of issues managed, the role of commercial banks is somewhat greater than in terms of the number of issues. In the first quarter of 1961, commercial banks managed 43% by value of all state and local government bonds sold, and 31% by value of issues of \$250,000 or under. Thus, in dollar terms, the commercial banks managed a larger share of the bigger bond issues, a smaller share of smaller issues."

The smaller banks are coming more and more into the picture because they are being engulfed by the 3-in-1 revolution of transportation, industry, and population. Ray Hengren, assistant chief, Division of Research and Statistics of the FDIC, and a well known source of information on the subject, consented to give some answers to a few questions.

Question: "Mr. Hengren, while large banks are naturally the chief holders of these bonds and main syndicate managers, what about the hundreds of smaller local issues?"

Answer: "In many instances small municipalities can finance their essential community facilities only by heavy reliance on nearby banks. The obligation of a bank to service local credit needs is generally recognized to include the requirements of governmental units in the area. These local banks can be depended upon to shoulder their fair share of the credit load."

Question: "Do you mean that they are under some sort of obligation to buy whatever bonds the local authorities want to sell?"

Answer: "Certainly not, but they are able to help municipal officials to tap other sources of funds available for capital investment. Thus assisted, the credit needs that exceed the capacity of the local bank may be supplemented by recourse to private investors or financial institutions

elsewhere with which the local bank has established connections."

Question: "Does the relatively large size of these obligations tend to overload or unbalance the bank's portfolio?"

Answer: "Substantial commitments in the obligations of small municipalities by a bank situated in the immediate area do not constitute a vital departure from orthodox investment principles which stress the importance of diversification in the bond portfolio. The bank in such a case has special advantages as regards sources of information and the means for guiding financial policy into sound channels. Thus, the credit of a small subdivision of government can be strengthened."

Question: "Are there benefits to the bank besides from the purely investment side?" Co

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Answer: "When properly used, the local bank can be of material assistance to the municipalities in the trade area. Likewise, these units of government can furnish the bank with a satisfactory outlet for the investment of resources. Not only is the local bank a source of capital funds, but also its purchase of securities issued to finance municipal improvements in the community will provide an element of leadership that will be impressive to others who are seeking investment opportunities."

Other practical aspects of financing public works will be discussed in subsequent chapters of "Banking's American Story," including how to judge the quality of municipals, the function of dealers as sources of information, the methods of rating bureaus, the importance of legal opinions, and the planning of a state and municipal bond account.

Almost every group dealing with area or community development includes one or more bankers, and part of their function is often to sound a warning note. Regional patriotism and home-town boosting are old American traits, and enthusiasm quite often runs ahead of good judgment.

However, it was a nonbanker who put the warning thought into plain words lately before the House Banking and Currency Committee during hearings on the area development bill. Excerpts from the testimony of

(CONTINUED ON PAGE 154)

Some Things Bankers Should Be Watching



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Advertising Trends

G. Edwin Heming Manager Advertising Department Six A.B.A. staff members give their views on what's happening — and going to happen — in various areas of the banking industry.

Competition is currently a weathervane that indicates what way the wind is blowing—and is likely to blow.

First, there is the growing competition for the public's attention on the part of advertisers of all kinds—using media of all kinds. "If you would be heard in a crowd, speak with more than one voice." *Prediction*: Banks will increasingly diversify the media available for their use, with top emphasis on newspapers, "point-of-sale" posters, and direct mail, Radio and T-V spots will continue their upward trend.

Again, in printed media other than publications, banks face competition for attention, in this instance, largely occasioned by the spreading use of full color. "How much prettier a tune is fashioned from the scale's eight notes than from a single tone." *Prediction*: In view of the printing industry's great strides in developing full-color reproduction fidelity while cutting down on cost, banks, more and more, will use direct-mail folders and posters in full color. This point is borne out by the use banks have made of A.B.A. full-color folders and posters, introduced last year and further developed since that time.

Perhaps most important, there is the competition that exists among financial institutions—for savings, for loan business, for other services. And the voice of banking's competitors is certainly heard in the land! To a degree, the advertising efforts of some of those competitors is self-defeating: In a recent issue of a national business magazine, for example, an impartial observer reports "no-holds-barred advertising campaigns . . . plugging a veritable orgy of gifts and premiums . . . now about to reach a point of no return. It looks as if there will be a Government crackdown."

Banks must be fully alert to the considerable challenge that competitive financial advertising poses, and must meet it effectively. *Prediction*: Bank advertising will continue in its present sound direction, with stress on the positive approach (pointing out the advantages of a bank of deposit as the place for central, convenient, full-scale banking service); with sales messages conceived in good taste and couched in honest terms; with stepped-up budgets and diversified media—and will win more and more customers for banks by so doing.



Credit and Loans

Louis J. Asterita Deputy Manager, Secretary Instalment Credit Committee

It is generally agreed that the recent recession is behind us. However, what is currently advised is a reappraisal of how much reliance banks should place on a business's future profits and cash flow for the payout of our loans. The credit problems which some banks had to deal with came about mostly through inadequate working capital caused by operating losses or profits lower than anticipated. In loan agreements, we should try to tie dividend payments more closely to current earnings; and working capital and cash should go to bank debt reduction rather than to stockholders.

The current activity in instalment credit has leveled off with repayments again exceeding new extensions. The month of July showed a decline of \$100,000,000 in total consumer credit. This brings the total decline for the year to date to \$1,362,000. The outlook for the balance of the year looks more promising, with moderate expansion expected in the automotive area. Consumer attitudes continue cautious and reserves are being accumulated in the form of savings and should serve as a business stimulant during the coming year.

Check credit or revolving credit has been receiving little promotion of late. While the activity and interest has not been intensified, many bankers feel its full potential is still several years away. This area of credit is worthy of constant attention.

Charge account banking has not achieved any great measure of success, although several bankers state their operations have proved profitable. The interest in this credit service is quite passive.

There is a tremendous interest in the financing of college tuition expenses. More and more banks are extending their lending facilities to encompass this area. Pro-

viding a constructive financing program to meet college demands is another attempt on the part of banking to perform a public and community service as well as help enhance the prosperity and strength of the nation.



Agricultural Credit

Edgar T. Savidge Deputy Manager, Secretary Agricultural Committee

CREDIT needs of the nation's farmers and ranchers will continue to expand. Banks will necessarily have to intensify their efforts for sufficient loanable funds to meet the increased credit demands.

Agricultural bankers indicate a willingness to increase their loan volume to farmers. However, more stress is being given to the importance of screening applications closely and viewing most favorably those farmers who follow sound management practices.

Look for stepped-up Government lending by the Farmers Home Administration to those unable to qualify for credit from other sources. Will such a program impede the desirable shift of some farm families to more gainful employment opportunities?

Farm land values have risen in spite of reduced farm income in recent years. Lenders should take a hard look at inflated land values and base their loans on the income-producing capacity of the farm itself.

Farmers' income will increase gradually in the months ahead due to recovery of the national economy, defense efforts, and actions by Government.



Banking Education

Murray G. Lee Deputy Manager, Director Education Banking Committee and S.G.S.B.

Most significant development in the banking education field over the past year was the publication of the report of the A.B.A. Committee to Study Banker Education Programs. This report advocated far-reaching changes for the strengthening of bankers' schools.

Over the next year, the A.B.A. Banking Education Committee will be working on implementation of various phases of the report. At its convention meeting in San Francisco, the committee will discuss plans for a series of meetings with officials of the regional and state level bankers' schools to exchange views on problems of common interest. Curriculum content, admissions requirements, and educational standards will come in for particular consideration.

Economic training in the public schools will also come in for more attention than ever before on the part of organized banking. A.B.A. has been working hard on a "package" of educational materials for banks and bank-

ing groups to distribute in the schools. This package is now ready. It features three major items:

 a filmstrip, The Role of the Commercial Banking System, distributed by the A.B.A. Public Relations Committee. 10

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- a booklet, Personal Money Management, published by the A.B.A. Savings Division.
- a second booklet, Using Bank Services, published this month by the A.B.A. Banking Education Committee.

A.B.A. plans a concerted drive, in cooperation with state associations, to secure the widest possible distribution of these items in schools throughout the country,



Savings Trends

Rudolph R. Fichtel Deputy Manager, Secretary Savings Division

Banks continue to focus major attention on the savings business. This includes savings promotion, problems, and issues as well as new developments such as instant interest, investment savings, automatic savings plan, savings by payroll deduction, attractively packaged certificates of deposit, and no-passbook savings.

The savings trend is favorable. People seem more inclined to put their money into voluntary savings accounts, and banks are generally increasing their efforts to win a larger share of the competitive savings market. This intensification of bank savings activity denotes banker recognition of the fact that individuals and their families now rank with agriculture, commerce, and industry as a profitable banking market; and that to be competitively successful the banks of today and tomorrow must serve as community banks in the full-service sense of being prepared to meet all financial needs of all people.



On-the-Job Services
One-Check Payroll

Lawrence E. Kreider Secretary Committee on Credit Unions

LOOK for further expansion of one-check payroll and on-the-job bank services. The latter will become increasingly significant as a convenience to employees.

More banks will provide a comprehensive package of retail bank programs, including those mentioned above, as well as other more conventional services. One-check payroll services will be used to complement and to help sell on-the-job bank services. The Missouri Bankers Association has assigned a special task force of 10 banks to initiate comprehensive packages of retail bank services. It is hoped other banks in their states will follow the leadership of this group of banks and that other state associations will adopt equally desirable programs.

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Your Bank Building Program

FORDE STEELE

PROFIT SQUEEZE produced by high taxes and rising expenses and the need to meet the increasing competition from other banks and from other types of financial institutions make it mandatory that bank management take advantage of all possible methods of saving time and money, increasing employee efficiency and morale, and selling banking services. The design and layout of bank quarters is a fertile field for increasing profit.—The Author

NOMPETITION, not only with other banks but with other types of financial institutions as well, has placed new emphasis on the facilities. physical though banks no longer find it necessary to occupy buildings which give the appearance of massive strength and solidarity, customers and prospects alike form opinions of the institution based on the impression created by its physical appearance.

The suggestions contained in this article are presented for the benefit of the banker who has to build or remodel a building perhaps only once during his banking career and, hence, needs a guide to follow in getting the job under way. Proper management of the entire building effort is more important to top management of the bank than technical construction knowledge. Attention to the following 10 key factors will improve the "sometimes" banker-builder's chances to carrying off a successful building program.

Assign Responsibility to One Man

Responsibility for the building program should be given to one individual. It should not be given to a committee, because committees are notoriously inefficient and tend to ride off in all directions.

The man in charge should consult with others in the bank who may know more about the various physical requirements of particular banking functions. But he should serve as a clearing house where these varied requirements are brought together

The author, vice-president of the Central National Bank of Cleveland, prepared a series of articles on bank building that appeared in BANKING between October 1951 and October

and finally coordinated. Members of the board of directors should not become directly involved unless one of them has unique qualifications. Obviously, the board should review plans and give final approval to them and to the proposed expenditures.

The one person in charge can work very effectively with local architects and builders. Except in small communities, it is not necessary in most cases to bring in architectural or building talent from distant cities. Banks are primarily local institutions and should patronize local businesses and businessmen.

Allow Ample Time for Planning

The banker's job in the building program is to plan. Once he OK's the plan, his most important function is completed. But the planning must be done with great care, for new walls, on paper, can be moved with little cost, while those in place can be moved only at great expense. Yet this fact so often escapes us.

Essential to success in the planning of bank buildings is the allowance of ample time. A year and possibly two is not too much time to allow for the planning and construction of simple bank or branch bank buildings. In the case of major bank buildings, planning should start as much as 10 years before the required occupancy date.

Determine Building Needs

Bankers find many reasons for building or remodeling. The poorest of all is to embark on the construction of an expensive new building to "keep up with the Joneses." When a competitor's new building causes your customers to needle you about a new building, the time has arrived to investigate thoroughly and carefully to determine your actual needs. If the basic building and layout are sound, maybe a face-lifting job plus new or refinished interior equipment will accomplish as much as a brandnew building. Besides, it may have the added advantage of leaving some funds available to install a needed branch or buy more advanced equipment for the employees to use in giving better service to customers and prospects.

On the other hand, a bank's customers are used to modern pushbutton technology at home, in stores, and in their places of business. They are inclined to be impatient with banks which force them to walk up long flights of steps to get to the banking floor or crowd them into undersized lobbies. Neither are they inclined to wander around hunting for the proper place to transact their business. Banks can retain old customers, acquire new ones, and increase earnings by making it convenient for the public to do business with them. Furthermore, the benefits in terms of employee morale and improved efficiency which can be obtained from new or remodeled quarters should not be overlooked.

The person heading up his bank's building program should enough knowledge of the physical

(CONTINUED ON PAGE 162)

3-Deep Executive Training

MARK VORDER BRUEGGE

Here is how one bank faced the problem of developing executive talent rather than merely teaching technical skills. Its program has successfully met the growing demands for qualified officers.

THE FUTURE strength of any bank depends upon its depth in management. Today banks are not run by one man, as was the case years ago. Instead, they are operated by top management teams, backed by young executives who have been properly trained and are capable of developing and carrying out policies.

A New Concept

Realizing these important facts, officers of the First National Bank of Memphis, Tennessee, came up with a new concept in bank personnel management. Concerned with the bank's ability to attract, train, and hold the type of qualified men necessary to meet the expanded demands of a growing bank, Sam Britt, vice-president and personnel officer, urged the establishment of a personnel committee to deal with such problems. Today, this committee can look back on gratifying success.

Started in Late '40s

In the late 1940s a concerted effort was made to obtain outstanding college graduates with well-rounded liberal arts backgrounds and train them in the field of banking. Initially, the training program was small and the personnel officer was able to keep in close touch with all the departments and each trainee. As the bank expanded, it became increasingly obvious that a committee representing the bank at large could implement the program more effectively by planning a curriculum to acquaint each trainee with the many phases of banking.

Far from being a rubber stamp operation, the committee consists of six vice-presidents: Sam Britt, Fred The author is vice-president and chairman of the personnel committee of The First National Bank of Memphis, Tennessee.

James, Jim Thornton, Mark Vorder Bruegge, Roy Kidd, and Steve Doyle. All of them have completed the bank's in-training program, and they represent widely divergent bank activities. Present members come from various departments such as: cotton and international, commercial loans, real estate, operations, business development, and personnel. The age of the committee is purposely kept low, ranging from 28 to 39. This is considered desirable because each is assigned as a counselor for some five or six college trainees. In addition to his regular bank duties, each member is asked to participate actively in the college recruitment program and to help establish the personnel and training policies for the bank.

To enable new thinking to permeate the personnel practices of our bank, the membership of the committee is rotated on a two-year basis. The only continuing member is the personnel officer, whose position serves to give continuity to the program.

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A Planned Program

The committee designed a planned "Executive Training Program" to teach banking fundamentals through "on-the-job" training. As in many other banks, each trainee spends varying amounts of time in each of the operating departments of the bank. Before he is through, he has a good working knowledge of the mechanics of every operation, but the program goes deeper than mechanics.

Broad Training Emphasized

In the business world today, there are many good technicians—but few scientists. It is essential that each officer or department head have a broad knowledge of the banking industry, its related fields, and the responsibilities of the various depart-

Recruitment

A special booklet designed for use in trainee recruitment is demonstrated by Mr. Vorder Bruegge to his fellow vicepresidents Stephen Doyle, Fred James, Roy Kidd, and Sam Britt



ments within his own bank. The training program classes are designed to provide each trainee with as much knowledge as possible to enable him to meet future problems with reason and judgment. Each week during the normal school year, with time out for summer relaxation, the trainees meet as a group for two to three hours of lectures, demonstrations, slide presentations, and film showings on the full run of economics, finance, banking, and human relations.

Taught by Specialists

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These programs are presented by bank officers who are specialists in their subjects, as well as professors from local universities and businessmen in such fields as mortgage banking, real estate, warehousing, psychology, and finance. Trainees are expected to take notes and are examined on these classroom subjects. The program is presented, insofar as possible, on a unit basis so trainees entering the program at different times of the year can pick up and continue with the class.

Starts with Basics

When he begins the program, each trainee is given a training manual outlining the basic operations of each department. This is his manual to keep and to supplement with additional information as he progresses through his class work and on-the-job development. In addition the personnel department has a library of reference materials including most of the major books and writings in the banking field. Trainees are expected to become familiar with the history and background of the departments to which they are as-

Future replacement needs are carefully charted to show the number needed each year to replace those retiring. For example, one officer retires each year in the 1964-68 period; during 1971-75 the number varies from four to six

signed and the basic theories under which each department operates. As many of us have found from sad experience, there never is time to catch up later when the responsibilities of greater position occupy every waking moment.

Supplementary Courses

To supplement the classroom courses presented at the bank, all trainees are encouraged to take additional formal courses at one of the many schools in Memphis, or to en-

roll in one or more of the A.I.B. courses offered each year. At last count, 12 men were attending law school in the evening and 8 were completing requirements for their Masters degrees. The rest were engaged in correspondence or A.I.B. courses. Many of the trainees are sent, at bank expense, to regional banking schools or to specialized schools.

Theory Plus Practice

In short, every trainee in the bank is engaged in helping himself to be a better banker by adding to his already rounded storehouse of practical knowledge. Armed with theory and fundamentals, he will be prepared for a successful banking career in an age when bankers have moved out of the ivory tower of the financial world into the competitive field of economics and business.

The Course Attracts . . .

The entire course takes approximately two years and to date has produced significant results. Geared to the expanding demands of the bank, the number of trainees has increased tremendously. In December,

and Training



A group of young men are instructed by Vice-president Bob Rogers who, not too many years ago, was a member of a trainee group in the bank's Exceutive Training Program

1959, there were 15 in the program; 27 were employed in 1960; and at present, there are 42 taking part in our formal training. During the next three years, it is anticipated that an average of about 20 men a year will be required to keep pace with growth and replacement needs.

. . . It Retains . . .

As positions develop for assistant branch managers, trust personnel, business development men, bond salesmen, or correspondent bankers, the committee reviews the personnel records of all trainees, interviews them or sends a selected group to the department head concerned for interview, and matches as nearly as possible the bank's needs with the interests and aptitudes of the individual trainee. Herein lies the secret of success, and the truth of the old adage about a man who likes his work being a happy man is shown in the phenomenally low turnover rate experienced in our training program. Of the total number of trainees employed, about 4% are no longer with the bank. This percentage figure is well below the national average and serves as testimony to the careful screening by the committee, as well as selective placement following the training and a regular salary review program.

. . . and Rewards Trainees

The average length of employment until the time when trainees receive their first promotion to officer status is four and a half years; however, 10 very exceptional men became officers in two years; another 10 in three years; and nine made it in four years. Of our 38 vice-presidents and trust officers, 20 (or 52% of them) have come to the bank as college trainees since World War II. The average age of trainee officers, from assistant cashier to vice-president, is 36. These officers, with an average of 10 years bank service, will be among those who will be called upon to fill the vacancies in our top echelon. The average age of our present top management, which includes the chairman of the board, president, executive vice-president, and five senior vice-presidents, is 55; average years of service is 32.

The major credit for the success of the program here at First National goes, of course, to the farsighted concern of top management and its willingness to accept a new concept in personnel development. However, the cooperation and interest of each officer and staff member has been a tremendous contribution toward the program's progress. Today, even



The importance of visual aids in training is demonstrated by Allen Robinson to personnel officer Sam Britt

with adequate staffing of some 16 offices with young, energetic personnel and the development of "experts" for the modern machinery of banking, the need for continued and accelerated training is as urgent as ever.

A Full Time Director

Considering that people are the most important products of training, the committee recommended that a more concentrated effort be placed on executive training than the members themselves could offer, due to the demands of their regular duties. With the future still one of expansion and the size and complexity of training becoming more enlarged, the need for a full time training director was recognized.

The recommendations of the com-

mittee were accepted by top management and early in 1961, after some study, Allen Robinson was employed as our training director. He has experience in education, having taught at Columbia University and is presently on the extension division staff of the University of Tennessee. He will coordinate all training programs under the guidance of the personnel committee and the personnel officer, His experience in staff training as former employee relations supervisor with a national manufacturer, coupled with his broad, scholastic training, provide an excellent supervisory background.

Facing the Future

The future? The increased complexity of banking creates demands for new and unique customer services which requires bankers to delve deeply into such divergent fields as the financing of mussel shells for shipment to Japan to the building costs of multimillion-dollar skyscrapers—simultaneously keeping the individual customer in mind. This calls for the flexibility of thinking akin to the legerdemain of Houdini.

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Foundation for Growth

At First National of Memphis, our organized training program covering major and fundamental areas of banking is only the beginning. It forms a solid foundation from which each individual can build his own future as well as the future of the bank. Our program goes further than the production of bank "technicians." It lights the spark of interest and determination for the ambitious college graduate to create the techniques and services which will bring profit to his bank—and to himself.

Each new branch is added evidence of the bank's need for more executives



BETTER METHODS & SYSTEMS

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NABAC, The Association for Bank Audit, Control and Operation, had a big 37th annual convention in Chicago, September 11-13. Nearly 2,000 bankers heard and participated in a program packed with information about computers, bank costs and services, equipment, systems, audit and control, and numerous other practical subjects. Here are some of the ideas presented.



Problems in Pooled Automation

A FEW of the problems in automatic check handling as a joint venture for several banks were suggested by Van Vechten Shaffer, president, Guaranty Bank & Trust Company, Cedar Rapids, Iowa. The decision to join with other banks, he said, is for top management to make, "and it will certainly only cost money and time and waste until it is recognized as such."

In the first place, this is a volume job and unless enough activity and accounts can be combined, joint facilities should not be used at this time. The cost is \$300,000 to \$500,000

Know your own costs first! Know what stand-by or back-up equipment is needed to care for breakdowns; the special building conditions; the actual costs of such facilities. Then correlate the costs with your present ones. Some operations have been very successful, and where a bank has a sufficient volume, some money savings may be possible in automation, but Mr. Shaffer doubted "if a joint venture can be established today and result in any actual money savings."

OTHER QUESTIONS. Where and how will the joint activity be housed? "Can we place it in a member's quarters or must we separate the bookkeeping activity from each of the members? Need we be centrally located or can we go where land is cheap? What kind of air conditioning and heat are necessary to avoid later expensive corrections?

"What kind of foundations are needed to carry the machinery? What kind of people will man the machine? Who will train them? Whom will you serve, and exactly how will you serve them? Is the biggest member of the group the No. 1 boy, or do we rotate precedence? Will the biggest member dominate the activity. (The supervisory problem is of very considerable importance.) Who is to boss the job, and who controls him?

"At this point there would appear to be some agreement that such an activity is probably best administered through an independent corporation rather than attempt to operate as a mutual function. I think this conclusion is clearly correct."

OBSOLESCENCE. "No matter how we regard the problem, we must recognize that completely revolutionary changes may and probably will develop at any point. These could make obsolete whatever might be done today; and the present cost of installation is so big that we neither can afford to make a mistake in installing it nor in continuing it. It is my opinion that for small banks, even in a joint venture, the practicalities of the situation are likely to hold us to a punched card operation. This is not inexpensive and it is by no manner or means complete check handling, but it does offer the possibilities of having our bookkeeping done automatically at far greater speed than the traditional equipment we now use and at a cost which, if not cheap, is within the realm of possibility for most of us.

NABAC's president, Winslow E. Pike, vice-president and control-The First National Bank of Atlanta, center, pictured with Sam M. Fleming, president, Third Na-tional Bank in Nashville and A.B.A. vice-president, right, and F. Byers Miller, NABAC's executive director



The Buttoned Lip

Sam M. Fleming, vice-president of The American Bankers Association, and president of the Third National Bank of Nashville, Tenn., told the convention that ethics is part of the definition of banking—"the inviolability of information which the banker acquires about customers." The entire staff "must be trained in the principle of the 'buttoned lip.'"

Bank management encounters ethical obligations not apparent on the surface. "Failure of a chief executive to provide for competent management succession is certainly unethical. A bank must provide that energizing influence in a community which is essential to progress. Riskfree investments may be conducive to sound sleep, but is a bank justified in refusing to extend financing merely because it presents difficult questions that require careful answers?

"A bank's relationship with competitors should be on the same high plane as that with customers. Ethics is simply honesty combined with a fine sense of honor."

"Unless you are able to centralize 20,000 to 30,000 accounts and can depend on a daily average volume of 40,000 to 50,000 items, electronic sorters and computers are probably too expensive for the present. This will very likely change, but it may well be several years before these basic obstacles can be overcome . . .

"I frankly do not think the advantages of a joint venture are sufficient to justify its expense today. However, I do urge bankers everywhere to get together with their fellow bankers, even to organize loose groups into committees to study the joint venture problem."

Roll Up Your Sleeves!

A^N intelligent selection of new, automated equipment requires

the banker to roll up his sleeves and go to work, said Charles E. Arner, assistant vice-president, The First National Bank of St. Paul, Minn.

He must take nine work-filled steps: (1) Analyze the present system in detail. (2) Determine requirements. (3) Design a system to meet those requirements. (4) Have manufacturers apply their equipment to the system designed. (5) Validate their proposals. (5) Compare and evaluate each proposal. (7) Decide which equipment best suits the needs. (8) Analyze the economics, even though this was previously done. (9) Negotiate a contract.

"There is a system for each of us, and it may not be automated," Mr. Arner said. "It may only be a refinement of an existing system, but only you can determine this by putting forth the time and effort to find the answer. It costs money to study, evaluate and select the right hardware, but it may cost a great deal more by taking the easy way out.

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"The selection of hardware is the second step—not the first—and unless you know what your requirements are and what you desire in a system, you can't intelligently select the equipment to implement it."

(CONTINUED ON PAGE 168)

Magnetic Ink Reader Inventor Gets Patent

Award of the 3,000,000th patent was made by U.S. Commissioner of Patents David C. Ladd in Washington to Dr. Kenneth R. Eldredge of Stanford Research Institute, the scientist who invented the magnetic ink character reader used in the automatic processing of checks.

Among those attending the ceremony was John A. Kley, president of County Trust Company, White Plains, N.Y., and chairman of the A.B.A.'s technical committee on mechanization of check handling.

"The recognition of this patent," he said, "symbolizes the beginning of a new era of banking operating methods." On behalf of banking he congratulated "not only the ingenuity that made this particular patent possible, but the technical skill of all the contributing machine manufacturers who provided our industry with this amazing tool."



Award of the 3,000,000th patent is made at a Washington ceremony by Commissioner of Patents David C. Ladd, seated, to Dr. Kenneth R. Eldredge, left. Others are, left to right, John A. Kley, president, County Trust Company, White Plains, N.Y., who spoke for banking; A. R. Zipf, vice-president, Bank of America N.T.&S.A.; Finley Carter, president of Stanford Research Institute; Mrs. Eldredge; and Clair C. Lasher, general manager of the General Electric Company's computer department at Phoenix, Ariz., where the reader is produced

A Chance for Leadership Training

Three A.B.A. seminars scheduled for this fall are designed to develop management in the smaller banks.

THREE field-tested seminars on "Effective Leadership in Bank Management" will be held this fall at the Nassau Inn, Princeton, New Jersey, by the Bank Executive and Staff Development Committee of The American Bankers Association. The 5-day seminars are scheduled for November 5-10, November 12-17, and December 3-8.

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All those invited to participate are chief officers of banks with \$2,000,000 to \$25,000,000 in deposits. Each seminar is strictly limited to 50 bank officers to insure full, individual participation. Part of the work will be done in 5-man groups during evening hours. The total fee of \$250 covers a single occupancy room, meals, tuition, and all seminar materials.

The program is concentrated in only one subject area, the development of upper-level manpower in the smaller banks. It covers an advanced phase of the bank executive clinics that the committee conducted throughout the country in 1954, 1955, and 1957. The seminar procedure is a combination of case analysis, lecture, role play, quiz routine, and "rigged" discussion.

Case Problems Analyzed

Analysis of eight case problems (actual situations in small banks) takes a minimum of 12 classroom hours and another 12 hours of evening group conference time. There will be lecture presentations and summations on modern management in banking, executive job requirements, appraising executive performance, counseling for development, aids to management, and recruiting and selecting management personnel, which will take 12 hours of classroom and dining room time.

Roles played by the conferees, quiz shots to and from conferees, and

guided discussions use up another three hours. Finally, a workshop takes the last three classroom hours. All of these activities added up require 42 hours of planned time. Another 18 hours is consumed by coffee breaks, meals, and a couple of receptions. This altogether comes to a grand total of 60 hours in a 5-day period.

Time Schedules

The sessions really get under way on Sunday afternoon at 5:00 and, after dinner, run through small group conferences until 10:00 P.M. The next five workdays start at 9:00 A.M. Lunch and dinner periods are group propositions with no outsiders sitting in. After-dinner conferences are scheduled for four evenings. On Friday the seminar closes at 2:00 P.M. There is idle time for all participants between 4:30 and 6:00 P.M. on each of the full days, which could be

used for sight-seeing in Princeton, one of the most famous historic, picturesque, scientific and educational centers of America.

The Seminar Leaders

Eight seminar leaders will guide the discussions. They are: Earl Brooks, professor, Graduate School of Business and Public Administration, Cornell University, Ithaca, New York; John Patterson Currie, management consultant, New York, New York; Lee E. Danielson, associate professor, School of Business Administration, The University of Michigan, Ann Arbor, Michigan; Thomas Q. Gilson, professor, Industrial Relations, Rutgers-The State University, New Brunswick, New Jersey; James L. Hayes, dean, School of Business Administration, Duquesne University, Pittsburgh, Pennsylvania; George S. Odiorne, direc-

(CONTINUED ON PAGE 172)

A session at the Atlanta, Georgia, regional seminar last January is led by George S. Odiorne, director, Bureau of Industrial Relations and professor, School of Business Administration, The University of Michigan



Standard Oil Company (Indiana): a six months' progress report

Crude production, product sales rise; earnings up 14%; American Oil effects smooth changeover to national marketer



Marketing subsidiary in smooth changeover: Mr. Swearingen enumerated first-half accomplishments of the Company's subsidiary, American Oil Company, after it became a national marketer. New Torch and Oval identification signs were installed at service stations throughout the East, South and Far West. All stations now display a uniform red, white and blue color scheme. The Company's more than 29,000 outlets now feature the popular Atlas® brand of tires, batteries and accessories that were formerly offered only at Midwestern and Far Western stations. Local and national advertising the greatest campaign

and accessories that were formerly offered only at Midwestern and Far Western stations. Local and national advertising, the greatest campaign in the Company's history, has provided quick consumer recognition of the strides taken by American Oil Company.

In another major move by this subsidiary, the famous "As You Travel—Ask Us" service, which has continued to be an effective sales generator, was extended to outlets in all areas of operations. In the East and South, American's unique unleaded premium gasoline, Amoco®, was significantly improved in octane rating. An office was opened in Los Angeles to undertake development of markets in the Southwestern and Pacific Coast states where the Company has had limited distribution.

tribution. tribution.

The amazing growth of the credit card, and its importance in American Oil Company operations, was emphasized in the summer issue of SPAN. In the Midwest alone, between 1950 and 1960, the number of credit card customers of Standard Oil Company (Indiana) grew from 250,000 to 1.5 million. Since January 1 of this year, the addition of accounts from the East, South and West has swelled this total to 2.5 million. Dollar volume through the newly centralized credit card operation in Chicago often approaches \$2 million daily.

Earnings position improved: Mr. Swearingen told shareholders that consolidated net earnings for second quarter 1961 were \$30,357,000, or 84 cents a share. This compares with \$33,3198,000, or 92 cents a share in the same period of 1960. However, Mr. Swearingen reported a 14% improvement in first-half earnings (\$74,177,000, as compared with \$64,887,000 in first half 1960), and forecast earnings for 1961 as a whole will show an improvement over 1960. Crude oil production and product sales increased in the second quarter as compared with 1960, but operating expenses, partly due to higher wage costs, also increased. Severe gasoline price cutting over wide areas during April, May and June had adverse effects on profits. Primarily responsible for the first-half earnings improvement were better prices for refined products early in the year, increases in net production of crude oil and natural gas liquids and in volume of product sales, and the Company's continuing emphasis on cost reductions. Earnings position improved: Mr. Swearingen told shareholders that

Crude production, product sales up: Net production of crude oil and natural gas liquids in the first six months averaged 350,000 barrels a day, up 11% over the 1960 period. The increase was achieved primarily in Argentina (where production averaged 36,000 barrels a day) and Canada (17,000 barrels a day). In addition, the Lake Maracaibo block in Venezuela became productive in May. The Company's part interest in this block is averaging around 3,000 barrels a day.

Refinery runs during the first half averaged 650,000 barrels a day,



up 4% over a year ago when refinery strikes affected operations. Runs were reduced substantially in the second quarter of 1961 in line with market needs. Sales of refined products averaged 684,000 barrels a day for the six-month period, 1.5% increase over a year ago.

International developments: A further step in the Company's petrochemical expansion was taken with the acquisition of a 35% interest in Furukawa Chemical Company, Tokyo. Furukawa manufactures polyethylene and copolymers under license from Standard Oil Company (Indiana). Furukawa produces 20 million pounds of these versatile plastics annually.

The Company also reached an agreement with Algemene Kunstzijde Unie N. V. (AKU) for the joint manufacture of dimethyl terephthalate (DMT) in the Netherlands. Work will start soon by a jointly owned subsidiary on a DMT plant that will use our unique oxidation process. DMT is the chemical raw material from which polyester fibers and yarns are made.

U. S. expansion briefs: In August, another Standard Oil Company (Indiana) subsidiary, Tuloma Gas Products Company, acquired an interest in General Gas Corporation of Baton Rouge, La. Tuloma is one of the nation's leading marketers in the rapidly growing LP-gas field. General Gas's sales approximate 130 million gallons a year. Work is progressing on the oxo-alcohol plant that the Company is constructing near Haverhill, Ohio, in joint ownership with Pittsburgh Coke & Chemical Company.

Quarterly dividend: Directors of Standard Oil Company (Indiana) declared a regular quarterly cash dividend of 35 cents a share payable September 14, 1961, to the Company's nearly 157,000 shareholders of record as of the close of business on August 25, 1961. It is the Company's 262nd dividend.

The Company also announced plans to pay its dividend for the fourth quarter of 1961 on December 27 instead of December 30. The change from the previous schedule would permit receipt of any such dividend by shareholders before the close of the calendar year.

Directory of Standard Oil Company (Indiana) Major Subsidiaries

AMERICAN OIL COMPANY, headquartered in Chicago, manufactures, transports and sells petroleum products in the United States. It markets through its Standard Oil division in 15 Midwest states.

AMOCO CHEMICALS CORPORATION, Chicago, manufactures and markets chemicals from petroleum here and abroad.

AMOCO TRADING CORPORATION, New York City, buys, sells, and trades crude oil and products abroad.

INDIANA OIL PURCHASING COMPANY, Tulsa, buys, sells, and trades crude oil and natural gas liquids in the United States.

PAN AMERICAN PETROLEUM CORPORATION, Tulsa, finds and produces crude oil and natural gas in the United States and Canada. Its subsidiary, Pan American International Oil Corporation, New York City, engages in oil exploration and development outside of North America.

SERVICE PIPE LINE COMPANY, Tulsa, transports crude oil for our refineries and for others.

TULOMA GAS PRODUCTS COMPANY, Tulsa, markets liquefied petro-leum gas, natural gasoline, and related products.

Deposit Insurance: A Century of Experience

"The roads you travel so briskly lead out of dim antiquity, and you study the past chiefly because of its bearing on the living present and its promise for the future."

-Lt. Gen. James G. Harboard

As THE DUAL banking system approaches its centennial, it is interesting to reflect on the many changes through which commercial banking, like most other elements of our economy, has gone and still is going. Could the banker of the 1860s be with us now, he would have many causes for astonishment at the way banking is now conducted.

Because Federal deposit insurance did not come until the Banking Act of 1933, most people are likely to regard it as a development of this generation. Few persons today realize that statewide insurance of bank obligations was attempted in this country as long ago as 1829. Six different states made the experiment prior to the coming of the National Banking System a century ago; and during the early part of the 20th century eight other states attempted bank deposit insurance.

Efforts to get the Federal Government to insure bank deposits began in Congress as long ago as 1886. Thereafter, over the years, 150 different deposit insurance bills were introduced in the Congress before the final passage of the 1933 law that created the FDIC. That the efforts finally succeeded is attributable to the wave of bank failures that marked the great depression.

"Experience teaches," but the extent to which the deposit insurance legislation of 1933 consciously profited from the lessons to be learned from state experiments is hard to determine. Probably more is known

today about the early state experience than was known to the Congress of 1933, thanks to research which has been done by the FDIC. This information, compiled by Carter H. Golembe (now an A.B.A. staff member) and Clark Warburton, has been published only in part at intervals since 1950. These authors in 1958 wrote:

"The record of bank-obligation insurance prior to 1866 is of more than historical interest. Notwithstanding the time which has passed since these first state plans ceased operation, many of the lessons which were, or could have been, learned then are equally applicable today. For after all, none of the essentials has changed: then as today banks were institutions with obligations for the most part payable on demand and assets for the most part not immediately redeemable in cash; then as today, a bank failure destroyed a portion of the circulating medium and not only brought loss or ruin to individual bank creditors, but also great distress to the community served by the bank."

The first state law with respect to insurance and bank examination was that passed by New York in 1829. The six state systems established before the Civil War and their duration were as follows:

New York (1829-1866) Vermont (1831-1866) Indiana (1834-1866) Michigan (1836-1842) Ohio (1845-1866) Iowa (1858-1865)

The plans in these six states had

both similarities and differences. Insurance protection in the six plans took three forms: Establishment of an insurance fund; mutual guaranty; and a combination of the two. Over the years of operation there were wide differences in the six states as to the minimum and maximum number of insured banks and the percentage of all banks represented by insured institutions; also in the amount of obligations covered by insurance. There was also considerable variation in the degree of success of the various plans.

Appraising bank insurance of 1829-1866, the FDIC researchers concluded that creditors of failing banks were supplied with a degree of protection previously unknown in American banking. The six pioneer systems operated under handicaps that were inherent in the insurance plans or resulted from external pressures. In New York, Vermont, and Michigan the main defect was that there was neither a mutual guaranty nor provision for an original fund or for borrowing power. In Vermont and Michigan the first failures came before a sufficient fund had been accumulated. In Michigan this caused collapse of the system. New York provided borrowing power for its insurance fund 15 years after the system was launched.

Associated with the lack of borrowing power, a handicap common to all six state systems was the pressure for rapid liquidation arising out of

(CONTINUED ON PAGE 146)

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For fast, convenient reference to microfilm and printmaking

In seconds the versatile RECORDAK Reader-Printer gives you a sharp and photo-exact paper copy of any document on 16mm or 35mm Recordak microfilm, whether in roll form, transparent acetate jacket, or aperture card.

Operation is completely automatic from the instant the Print Button is pushed. There is nothing further to do but pick up the trimmed, ready-to-use print of the projected microfilm image. The cost is about 9¢ for photographic paper and chemical used.

Special features of the new RECORDAK Reader-

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WORLD BUSINESS

This month's report was sent from London by BANKING'S correspondent, Herbert Bratter.

BRITAIN'S COURSE, marked by the application for Common Market (EEC) membership, aims at close economic and political ties with Europe. The move reflects disappointment with broader international cooperation. "We've been disappointed with GATT's rather arid anti-discrimination line and its meagre results; and while the IMF has done its best, it isn't strong enough to underpin sterling," Lord Boothby told BANKING.

(Macmillan), is useful, unique. By forward exchange operations, U.S. Treasury can influence international capital flows without forcing the Fed into policies detrimental domestically. Through forward exchange operations, the Treasury can take the profit out of private capital shifts for arbitrage profits, Dr. Einzig explains, and in fact make it profitable for foreigners and Americans as well to move hot money from Europe to the U.S.

RELATIONS WITH RUSSIA, as in Berlin, are merely hurrying the process of European integration. Perhaps in a year UK-EEC negotiations providing safeguards for the Commonwealth, and for UK agriculture, will be completed. "As day follows night," said Lord Boothby, "there'll be a central European bank with power to dictate EEC members' monetary policies—with attendant diminution of the Bank of England's status—and, eventually, freely interchangeable EEC currencies with greater reserves than now."

THE BANK OF ENGLAND OPERATES IN FOR-WARD EXCHANGE occasionally. They could give sterling unlimited support in this way, were more information available on the market factors at work. From this standpoint, it is regretted here that the U.S. some years ago stopped publishing data on forward exchange operations of American banks. If both the U.S. and UK issued such data, the picture would be clearer.

BRITAIN LOOKS TO EUROPEAN INSTITUTIONS as holding more hope for solution of its problems than world organizations. And it puts political gains ahead of economic. The Germans favor converting the Bank for International Settlements into a European central bank. A British businessman said: "EEC will need some central banking body. Informal central bank cooperation already exists in Europe. It's much closer than formerly. The UK doesn't mind informality. It operates at home without a written constitution."

EURODOLLARS PLAY A GROWING ROLE in exchange markets. These are dollar balances owned by non-Americans which have been redeposited with banks outside the U.S.—including U.S. branch banks. The dollars are then used for loans of all sorts. Eurodollars have come into being largely as a result of U.S. banking restrictions on the payment of interest on time deposits and not on demand deposits.

THE CONSERVATIVE PARTY'S BRIGHTON MEET-ING in October won't upset Prime Minister Macmillan's Common Market plans. All Britain accepts this, even labor. At the TUC Congress in September an anti-EEC motion was strongly rejected.

THERE ARE ALSO EUROPOUNDS, Euromarks, Eurofrancs, etc., used in similar fashion. The existence of this international money market has been largely overlooked. Indeed the Radcliffe Committee never mentioned it. Yet this now important market makes it possible for banks to evade their domestic central bank restrictions. U.S. banks in London pay whatever interest rate the market requires. Swiss prohibitions against interest payment on hot money accounts is evaded by redepositing Swiss francs abroad where interest is paid. The business will grow when people in countries without exchange control learn of the possibilities.

U.S. OFFICIAL OPERATIONS IN FORWARD EX-CHANGE are regarded as "very gratifying" by Dr. Paul Einzig, a London expert on the subject. His new book, A Dynamic Theory of Forward Exchange

VERY ACTIVE IN EURODOLLARS are such banks as Société Générale (France) and Bank of London &



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The U.S. Trade Center in London

South America (UK). An American bank manager in London observed: "This Eurodollar business is nonsense. London, Paris, and Zurich are doing a lot of banking business that otherwise would be done in New York. The 3% interest ceiling is at fault. I hate to see a German or Japanese bank taking business away from America by lending dollars. Removing the ceiling, even if only for foreigners' deposits, would help bring this banking business to the U.S."

LONDON HAS MORE THAN 160 INTERNATIONAL BANKS—eight of them American—a list published by Manufacturers Trust Co. shows. And Continental-Illinois will open a branch here by January. Other banks have representatives here.

AMERICAN BANKS IN BRITAIN clear through one or another British clearing bank. Each of Britain's Big Five has close correspondent relations with two or three leading American banks. The latter as a group appoint a representative—one of the branch bank managers—as liaison with the Bank of England and British banks.

BRITAIN'S BIG DRAWING ON THE IMF has temporarily fortified confidence in sterling, but it has not removed the condition that caused the drawing. The British people, including management as well as labor, have been living under the false security of protection of various sorts. Thinking Britons of all classes now realize that the healthiest thing for the nation is to subject it to more competition. The change won't be painless; but the only alternative is repetition of the

series of balance-of-payments crises which have marked the postwar years.

"BRITAIN AND THE COMMON MARKET" is a useful 24-page survey of facts and outlook published at 1 shilling by The Daily Telegraph. In it a tabulation lists British industries likely to gain after the UK joins the EEC, industries with a mixed outlook, industries in difficulties, and those unaffected. Within each group the better managed firms will fare best. Lines which will gain include many chemicals, commercial vehicles, electric domestic appliances, steel, men's clothing, sport cars, motor accessories, tractors, cement, wool textiles, and man-made fibers.

PROMOTION OF U.S. EXPORTS meanwhile is seen in the permanent U.S. Trade Center in London. Exhibits of American products are changed periodically. In September a USDA-sponsored foodstuffs display was opened by Secretary of Agriculture Freeman. It shows such lines as freeze-dried vegetables, dehydrated food in flakes and mixes, redifresh shrimp, quick cook potato slices, rice products, soups, etc.

"COMPETITION FROM THE COMMON MARKET, after Britain joins," stated Ronald Brech, economist of Unilever, Ltd., "will mean difficult times for most British industries for three to five years, but it will force better management. We British react quickly to adverse conditions, management and labor as well. No one here really wants to join the Common Market, but nearly everyone is resigned to our doing it."

THE UK HAS BEEN FALLING BEHIND as a world exporter for many reasons, too many to list here. Prominent has been the wage-price spiral. From this standpoint the strengthening of the gold position by the IMF drawing, more apparent than real, is likely to prove costly, as it will be used by labor to demand more benefits. Britain has overfull employment and labor is in a strategic position.

CONCERN OVER BANK HOLDUPS has prompted the Trade Unions Congress to move that banks take all possible steps to protect their employees and improve the method of receiving advice on this subject from the National Union of Bank Employees.

The Chicago Merger: An Exception

An attempt by the Justice Department to block the merger of two Chicago banks is thwarted by the District Court judge

NEW CHAPTER in the bank merger story was opened over the Labor Day weekend when a request of the Justice Department for a restraining order to block the merger of the City National Bank and Trust Company with the Continental Illinois National Bank and Trust Company was turned down by the Federal District Court in Chicago. The Comptroller had approved the merger on August 21, but this was quickly followed by the Justice Department suit to halt the move, indicating that the antitrust division held that the merger would reduce competition in Chicago banking.

This refusal to grant the restraining order request paves the way for the union of Chicago's second and sixth largest banks and would result in the city's largest and the nation's ninth largest bank. Continental's assets on June 30 were \$2,845,000,000 and City National's \$385,000,000.

Restraining Order Unfair

In turning down the restraining order, District Judge Julius H. Miner said: "The purpose of a restraining order is to preserve the status of the parties. It is clear from the testimony that the merger has progressed too far to avoid irreparable injury to the City National Bank by the issuance of a restraining order. In fact, it appears to the court from the testimony that a restraining order would destroy any possibility of effectuating this merger. This court of equity cannot sanction irreparable injury upon any litigant, or prevent the proposed merger by a restraining order without a full hearing on the issues involved."

Judge Miner went on to say: "It would be eminently unfair to abrupt

or prevent consummation of this merger by a restraining order prior to the rendition of a final legal judgment on that power. Furthermore, any restraining order would nullify the finding of the Comptroller of the Currency that the merger is in public interest without affording the banks an opportunity to litigate it."

Long Under Consideration

The Chicago merger application had long been under consideration at the Comptroller's office. But, it was recalled, since the Justice Department had earlier filed suits to block or undo mergers in Philadelphia, Lexington, Ky., and Milwaukee, the Treasury Department agreed with Justice last March that, in merger cases where the Justice Department would feel obliged to bring suit under the antitrust laws, the Comptroller "will defer final official approval . . . until a decision resolving the legal issues in question has been reached in one of the pending court cases." As set forth in Secretary Dillon's March 20 letter to the Attorney General, this moratorium on merger approvals of the sort described was in the interest of orderly administration and would in any case be reviewed by the end of September 1961.

Comptroller Approved

On August 21 it was revealed that the Comptroller had approved the Chicago merger. Federal antitrust chief Lee Loevinger told reporters that the Treasury cited "hardships" sustained by City National during the long period of delay on the merger. The bank had been losing deposits as well as some of its elder officers; and it found difficulty in attracting new management because of the uncertainties as to its future. The Justice Department agreed to make this merger an exception to the March "moratorium" agreement; but it reserved the right to file suit to block the merger.

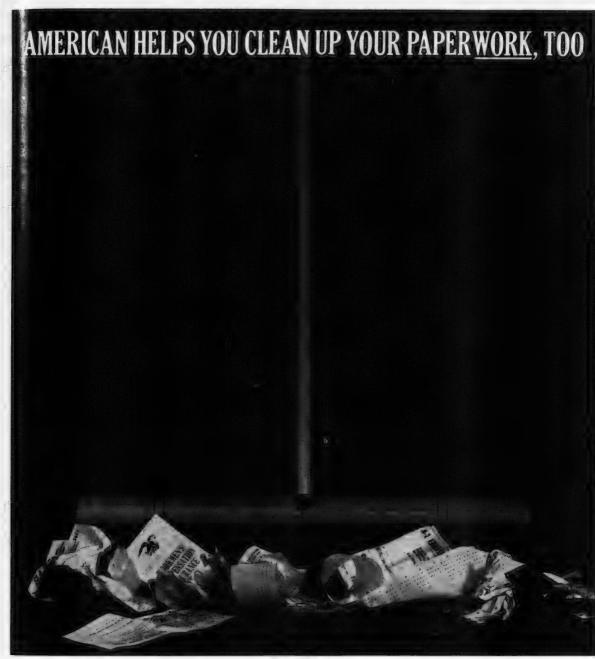
Although the possibility of an antitrust suit was recognized and the banks entered into a stipulation with the Justice Department that, in case of a suit brought within 30 days of the consummation of the merger, they would not use the fact of the merger as a defense against a divestiture suit, the merger was expected to go through on September 1. Instead, on August 29 Justice took the step to block the merger. Justice complained that the merger "would further concentrate an already heavy concentration of commercial banking" in Chicago; that "existing and potential competition generally . . . will be substantially and unreasonably lessened."

The Banks Speak Out

A joint statement by the two banks said: "We look upon this as an act of bad faith on the part of the Attorney General. Eight days ago the Comptroller . . . notified the banks that the Attorney General 'would not object' to our merger being made an exception to an agreement which up to that time had kept the merger in abevance. Now, only three days before the merger is to be completed, the Attorney General has completely reversed himself and seeks to stop the merger." This was soon followed by the Chicago Federal District Court's refusal to grant the Justice Department's restaining order re-

The Chicago merger was the 27th approved by the Comptroller since Secretary Dillon's March 20 letter to the Attorney General, but only the first case in which the Justice Department maintained opposition on antitrust grounds. By the time this article is published, the September 30 deadline for re-examination of the Treasury-Justice moratorium mergers will have passed. The only one of the three antitrust suits antedating the March understanding since brought to trial is the Philadelphia case, referred to in BANKING for September. Judgment in that case is not expected to be rendered until about the end of the year. To resolve the differences between Justice and

(CONTINUED ON PAGE 156)



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Bank Guidance Could Help Cut Military Bankruptcies; Chemical Industry Prefers Bank Service for Employees; N.J. Plant Plays No Favorites

On-The-Base Services Are A Good Influence

The Association of Military Banks is concerned over bankruptcy petitions being filed by military personnel. They're growing in number, and point up the need for financial guidance for military men and their families. More on-the-base services and more banker-guidance would be a big help, the association says.

One retired general officer, noting the filing by military personnel of 20 individual petitions for bankruptcy in a 4-month period in one area, had plenty to say about it. The association reported his questioning the worthiness of bankrupts as noncommissioned officers or specialists, particularly since financial irresponsibility on the part of a very few men can color the feeling of a civilian community toward a neighboring military base. Nonpayment of debts by subordinates is very much the concern of military supervisors, he pointed out.

The association blames misunderstanding of interest rates and overextension of credit by nonbank lenders for much of the trouble. More on-base-services were offered as one help. Banks fulfilling their obligation to advise and educate military personnel on the hazards of dealing with unscrupulous lenders was underlined as another.

Banks should also make certain that the command of a post is acquainted with the advantages of on-base banking, and is apprised of the difference between on-base banking and military credit union responsibilities for the officer in charge.

Chemical Companies Favor On-The-Job Plans

Chemical industry management likes on-the-job services rather than credit unions for its employees, according to a survey conducted by *Chemical Week*, a McGraw-Hill publication.

On-the-job services, chemical respondents feel, require none of the expense and responsibility of maintaining a credit union plan on the premises, yet make it easy for employees to handle financial transactions during working hours.

Most importantly, these services eliminate moral, administrative or legal responsibility for a credit union

authorized to operate in company headquarters, which management may feel it has.

Financial and administrative reasons were given for the preference by many chemical firms. Plant management is often required to foot the bill for office rental, mailing costs, and payroll deductions—costs that run up to \$5,000 a year or more.

Who's Out Front?

Hoffman-LaRoche, Inc., uses the services of a number of banks to keep the financial wheels rolling in its 2,500-employee vitamin factory in Nutley, N.J. One bank serves as a local depositary. Another handles the plant's payroll account. A third performs another depositary function.

No doubt one of these three was the first to offer the firm its on-the-job service. But the head of the plant was playing no favorites, so in April all three banks installed the same number of racks, each in equally good locations around the plant's three cafeterias and four locker rooms.

Who's out front with most of the business? If anyone knows, nobody's telling.

Left, Fidelity Union Trust Company, home office, Newark, N.J., is using Livingston-Koster, Inc. racks in this plant. Center, Bank of Nutley, N.J., is using the rack prepared by the Advertising Department of the American Bankers Association. Right, the rack used by New Jersey Bank and Trust Company, Newark, is a Raymac, Inc. rack





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BANKING'S Spotlight on—

GEORGE W. MITCHELL

This month's spotlight is turned on the newest member of the Federal Reserve Board by BANKING'S Washington correspondent, HERBERT BRATTER.

70 find a replacement for recently retired Federal Reserve Board member Matt Szymczak, President Kennedy reached into the Federal Reserve System and the seventh district to select 57-year-old George Wilder Mitchell, A professional economist and tax expert, Mr. Mitchell, a native of Wisconsin, had been with the Federal Reserve Bank of Chicago since 1943, except for two years as Director of Finance for the State of Illinois under Governor Adlai E. Stevenson. Earlier he was a member of the Illinois Tax Commission. A Washington press report describes Mr. Mitchell as sharing the President's views on monetary policy.

Knows FRB Policies

Mr. Mitchell, of course, brings to his new post a thorough familiarity with Federal Reserve policies, their formulation and execution. As the Chicago Fed's vice-president in charge of research, Mr. Mitchell for a good many years attended the Washington meetings of the Federal Open Market Committee as an associate economist.

In Illinois Mr. Mitchell was considered a tough but fair and respected tax official. His associates at the bank have found him somewhat sharp at times and a man who rarely praises a job well done, for he expects first-rate performance. An experienced public speaker showing evidence of wide reading interests, he seems rather more the introvert than the extrovert.

At the Board in Washington, where he is well known, Mr. Mitchell is described as very vigorous and articulate in getting his views out. At the University of Wisconsin (*25) he was a prize-winning debater. He talks in straightforward English,

with a flair for colorful illustrations, but he does not deal with technical matters in layman's terms.

As a specialist in public finance, he participated in the Federal Reserve System Research Advisory Committee's Report On State and Local Government Financing. In 1952, for the American Political Science Association, he wrote an article on local government without subsidy. The same year he prepared for school business officials a monograph, Strengthening Local Taxes for Schools. He is past president of the National Tax Association and is a member of the American Economic Association, the American Finance Association, and the National Committee on Government Finance, Brookings Institution.

Served in Tax Field

From 1943 to 1950, while an economist with the Federal Reserve Bank, Mr. Mitchell also served for a year as a consultant to the Bureau of Internal Revenue. From 1940 to 1942 he was assistant to the Director of Revenue, State of Illinois. Earlier, when only 29, he was made director of research in the Illinois Tax Commission. With so much interest nowadays centered in the coordination of monetary and fiscal policies, he will no doubt add a link to Federal Reserve-Treasury understanding and accord.

Mr. Mitchell is a staunch Democrat and proclaims the fact. In the press he has been called "an orthodox economist." Acquaintances term him "more liberal in economic thinking than Chairman Martin." As a close associate of Governor Stevenson, it was assumed that, had Mr. Stevenson won the 1952 election, Mr. Mitchell would have been given a high post in Washington. Last year there was some speculation that President Kennedy might even name him Secretary of the Treasury.

In view of all the discussion of a closer tie-in of the Board and the



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White House, some people wonder whether Kennedy had this in mind when he brought Mr. Mitchell to the Board. A Washington Post-Times Herald article reports qualified sources as saying that the Administration expects one or more incumbents to resign before 1964. This would give the President a chance to nominate another member.

Mr. Mitchell will now fill an unexpired term running only through January 1962; but it is assumed that he would not have been nominated without the intention that he be renominated for a full term thereafter.

In college he majored in economics at Wisconsin, where it was the tradition that graduates should participate in government. He did graduate work at the University of Chicago and University of Iowa and taught at Northwestern. He edited an 8-volume work on Illinois property taxes.

Of medium build, with steel-gray, crew-cut hair, he presents a vigorous figure. He is a devotee of modern art, owning some examples as conversation pieces, and his vacation hobby is trout fishing in Colorado and Wyoming. In fact, he was just on the point of taking off for the West with his fishing tackle when word came of his impending nomination. So instead he paid a call on Senator Robertson, to arrange a date for his confirmation hearing.

During his confirmation hearings in August, when asked to state his concept of the Fed's independence from the Treasury, Mr. Mitchell replied:

"I think the Federal Reserve System operates to accommodate the entire economy—agriculture, business, commerce, and Government. The Federal Reserve cannot ignore the operations of the Treasury nor can the Treasury ignore the responsibilities of the Federal Reserve System.

"I think it is a case of independence to a degree, but neither should be bound by the other's decisions if these decisions involve inconsistent behavior on the part of each of them."

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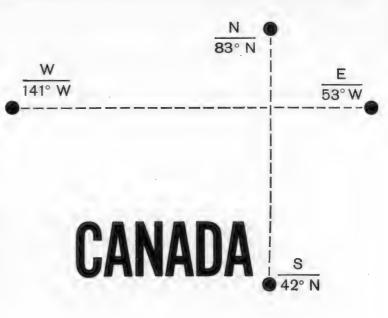
Mr. Mitchell testified that he would not feel himself bound out of loyalty or other considerations to follow the desires of the Treasury if he believed that the economy called for some other decision. He commented that the underlying philosophy of the report of the Commission on Money and Credit "is appropriate and proper, and I think I would generally subscribe to it," although not to every specific recommendation in the report. He added:

"Some of the recommendations [as to the Fed] might result in improvement, although I would be inclined to think that if changes were to be made, perhaps more consideration should be given to those which were suggested by Professor Ragan, I think, in a memorandum prepared for the Joint Economic Committee . . . calling for the abolition of the Federal Reserve Board and the creation of a Governor. That would be a drastic change, and it might be worth considering.

Opposed to "Tinkering"

"I think just tinkering with the Federal Reserve is not likely to be terribly productive. . . . I would like to see the base of support of the Federal Reserve somewhat broadened. How, precisely, one goes about doing it, I am not entirely sure. I think it might be possible to do that."

Mr. Mitchell does not think the Commission report handles adequately the question of the velocity of turnover of money. He has "no particular difficulty" in endorsing the report's position on "bills only." And he believes the Fed can be more effective operating "across the board."



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... says Mr. and Mrs. William Parks of Plantsville, Conn. These pictures show how their home was featured in a series of advertisements sponsored by Edison Electric Institute in Life, Saturday Evening Post and Better Homes & Gardens, telling their story of how homeowners react to the comfort and convenience of this new total electric way of living.

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▼ A cleaner kitchen appeals to Mrs. Parks—"I wouldn't cook any other way but electrically."

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Today only two others of the original 15 banks survive, and their names and identities have been changed by mergers. The Bank of California retains the name it started with in 1864 and is identified, as it has always been, as the Number 1 bank in San Francisco.

From this distinctive position, we extend a cordial welcome to the nation's bankers and our other friends on the occasion of the American Bankers' Association convention in San Francisco.



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Business Building Bulletin

IDEAS AT WORK

John L. Cooley

A Bank Tells a Tale

THE Marine National Exchange Bank of Milwaukee scored a big hit with an ad in the Sentinel and Journal just prior to the topping-out of the Marine Plaza, a downtown redevelopment project.

Headlined "The Story of the Shabby Forest," it was done in fairytale style, with storybook artwork. Copy, however, was addressed to the older folks, telling them how the Plaza came about and suggesting its effects on downtown Milwaukee.

The ad attracted wide attention, not only at home but elsewhere. Buck Herzog, Sentinel columnist, told his readers that it was a "classic in subtleties, an ad classic, and no brain from Madison Avenue had a hand in the copy."

The Marine Plaza, we're reminded, is the city's first new downtown office building in 30 years, and it's being built, as Mayor Henry Maier has said, as "an inspiring venture in private enterprise." Before construction began there was a hassle over the granting of a tax assessment freeze on the Plaza.



Don't Dunk Your Denture in the Fountain!

An Autobank Manager Reminisces

WHEN the autobank of the First National Bank and Trust Company, Tulsa, Okla., had its second anniversary recently, Vice-president Jack D. Porter, the manager, reminisced a bit. Here are some of the things he came up with:

"We've had several people run out of gas or have their cars stall at the drive-up windows. When they do, we take off our coats and give them a push to get them started or, if they're out of gas, we shove them to one of the parking areas and call a service station.

"For a while one man came to the autobank every morning, sat down on a bench by a fountain, and washed his false teeth. I explained to him that we recirculated the fountain water, which doesn't purify it, and that he might pick up some germs from his daily denture dunking. This seemed to satisfy him, and he's been washing his teeth at home ever since."

A woman bathing her child in the fountain was reminded that this wasn't the function of that adornment.

Now and then there's a real emergency.

"We had one man whose car caught fire, apparently from a cigarette which blew into the back seat. We got a fire extinguisher and put it out."

The bank has a 5-window walk-in area, but one customer preferred to come afoot.

"I looked out one day," recalled Mr. Porter, "and there he was, standing in the lane behind three cars. As they moved up, he moved up. I guess he was going to follow them right up to the window until I talked him into using the regular walk-up window.

"And then we've had several people who wanted to pay their traffic fines and water bills at the drive-ups. We had to tell them the police station was at Fourth and Elgin and the water department cashier just around the corner,"

The autobank's fountains, by the way, are a natural for folks who like to patronize wishing wells. The coins are collected periodically and given to charity.

Bank Dedication Is Community Affair

Several community interests were represented at the formal dedication of the new building of Farmers & Merchants Bank of Ecru, Miss. The building is a duplex, and half of it is leased by the Federal Government for the Ecru Post Office. The ceremony covered both postal and banking facilities.

Postmaster M. G. Nesbit intro-

duced the master of ceremonies, M. G. Davidson, principal of the high school. Speakers included W. L. Friday, manager of the bank; J. C. Whitehead, Jr., its president; State Representative G. T. Pound; Hubert V. Scrivener, president, Mississippi Chapter, National Association of Postmasters; Percy L. Coleman, postal regional installation manager; Eagle Scout Jimmie Mounce.

A Boy Scout troop conducted a flag ceremony. The invocation and benediction were by local pastors.

Hawaii Bank Offers Student Training

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Two training programs in banking for East-West Center students are announced by Carl E. Hanson, president of First National Bank of Hawaii, Honolulu.

The Center was established at the University of Hawaii in October 1960. Its purpose is to contribute to understanding among the countries of Asia, the Pacific area, and the



Subway riders ate the birthday cake provided by the Provident Institution for Savings of Boston as the bank celebrated the first anniversary of its subway savings bank. D. Clinton Cave, vice-president and treasurer, served



The Northern Trust Company, Chicago, sponsored a demonstration of color television at the city's International Trade Fair, and 294,021 people—45% of those attending—took advantage of the invitation to "see yourself on TV"

United States. Some 250 students are expected to enroll for this fall's semester; 2,000 are anticipated by 1960.

One program is offered to business administration graduate students, who have majored in banking and finance, and to bankers. The second course gives general business students, other than bankers, a general knowledge of banking procedure operation, and organization. The trainees, are under the bank's personnel department.

Savings Plan Has a Dozen Goals

THE Bank of Virginia, Richmond, used an extensive promotion to introduce its new ThriftiClub in six cities in the state.

The plan offered a 12-goal savings plan with a choice of deposit classes: \$3, \$5, \$10 and \$20. The customer chooses the class he wants and makes payments by his own schedule. There are no prescribed payment dates, no penalties for failure to make deposits.

The goals toward which the customer may aim are: "Rainy day" security, education, automobile, retirement, new home, home furnishing, hobby, "in trust" (minor's account), travel, taxes and insurance, junior personal savings, \$1,000 account.

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President Herbert C. Moseley said the program was developed as a "fresh approach to today's need and pattern for goal-savings," after detailed studies had been made in the

The "introduction card" used in the promotion is reproduced below.



First National Bank of Minneapolis reports that one of its most successful public relations ideas was "Coffee on the Plaza," pictured here. In a sidewalk cafe setting, nearly 22,000 people stopped for a free coffee break during the five days. Two serving tents were required to take care of the guests who consumed 899 gallons of coffee, 188 gallons of iced tea, and 2,390 dozen cookies. Attendance ranged from 2,800 on opening day to 5,560 the last day. Hours were 9 A.M. to 3:30 P.M. Music was piped in

Bank Gives New Overseas Service

PIRST National City Bank of New York announces "Overseas Assignment Service," for the benefit of American business executives and their families.

The plan offers customers transferred abroad assistance with travel reservations, information on medical and visa requirements, advice on business and residential areas in foreign countries, introduction to

real estate agencies, on-the-spot business and economic information, and a full line of banking services.

FNCB has 82 branches in 29 coun-



Several thousand 50-star flags were sold without profit in the lobby of the Alamo National Bank, San Antonio, Tex. The bank cooperated in the project with the San Antonio Bar Association. In the photo the Alamo's president, Clyde Shannon, left, accepts the first flag from Jack F. Ridgeway, president of the SABA

ThriftiClub

To: Our Bank's New Accounts Section

THIS WILL INTRODUCE

who has been invited to join our new ThriftiClub. Thank you for extending every possible extra courtesy.

SIGNED

DEPARTMENT

THE BANK OF VIRGINIA



Citizens Commercial & Savings Bank, Flint, Mich., carried customers from parking lots to its main office in this carriage during the town's "Old Fashioned Bargain Days" promotion. At the right is the bank's popcorn wagon which gave away 13,000 bags

tries, and the Overseas Division will draw on the knowledge of branch managers in 60 foreign cities to provide local information to the American executives.

Bank Active in "Salesebration"

CITIZENS Commercial & Savings Bank of Flint, Mich., added numerous novelties to the old-fashioned bargain days "Salesebration" sponsored by the chamber of commerce.

Shoppers were transported to the bank from parking lots in an old carriage, and there was a blacksmith in the bank's garage to shoe the horses, figuratively at least. As the riders arrived at the main office they received on-the-spot photos of themselves and joined the line waiting for free popcorn dispensed from an antique wagon.

Citizens Bank staffers at the main office wore old costumes and there were special lobby displays, including an Ohio River boat model, a Wells Fargo stagecoack with an Indian chief in full regalia, and old telephones.

1st of Chicago Has New Review

THE First National Bank of Chicago has a new monthly bulletin, International Economic Review, available without charge.

The first issue, for September, covered affairs in Italy, Japan, Great Britain, Canada and Argentina. Printed in two colors, the bulletin includes charts.

Cartoons Bid for New Savings

THE Meadow Brook National Bank, with headquarters in West Hempstead, N.Y., takes the light approach in a savings account newspaper promotion.



East River Savings Bank, New York City, gave windows in its Rockefeller Center office to a display of a short course in boating techniques and safety at sea, sponsored by the New York and North River Power Squadrons. The windows were designed to explain the eight major areas covered by the free piloting instruction courses offered by the squadrons

DOLLARS & SENSE!

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It has contracted for 234 original 1-column cartoons that point up the value of savings. The drawings are being used in a 6-month continuity program in New York City and Long Island papers, with a schedule of three cartoons per edition on alternate days.

Don G.Weller, administrative vicepresident and public relations officer, reports that Meadow Brook will service non-competitive commercial banks with the cartoons, personalized for users, on a fee basis.

Small Bank Has Its Staff Paper

The Marshall (Tex.) National Bank has a printed house organ, geared to the interests of the employees. It's called "Banker's Bark."

President V. H. Hackney says: "It is a medium of keeping a 'togetherness' of interest and a cooperative spirit among the employees. In addition, is is used as a monthly vehicle for transmitting notices, giving recognition, and keeping all abreast of the latest innovations within the bank.

"One may ask, 'Why would a small country bank have a need for a monthly newsletter?' The Marshall National has only 56 employees; however, they are scattered. Fourteen are working in the motor bank a block away, 16 on a different floor, and the remainder on the main floor or in the basement. It is easy, therefore to see that there is a need for such a publication as one method of discouraging a dis-



Harris Trust and Savings Bank, Chicago, offered a puppet show at the International Trade Fair. It was the story of Hubert, the Harris Lion, and his adventures on a world tour. Each child got a Hubert finger puppet

jointed operation and a lack of interest or understanding.

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"Copies are mailed to directors, interested friends and individuals outside the bank who make news. Additional copies are sent to correspondent banks."

The issue we saw contained, in addition to personals and items about the bank, a story about the "Director of the Month" and questions and answers about one of the bank's loan plans.

Incidentally, it's rather unusual for a smaller bank to have a printed staff paper.

Briefly

TV SEES BANK: Television cameras took a "behind-the-scenes" look at CITY NATIONAL BANK, Oklahoma City, Okla. The operations of the bank were filmed by WKY-TV for a popular show. Television personality Tom Paxton toured the bank, with guide and camera to give viewers a picture-tour of what goes on inside a bank. The film was part of a regular noon-hour feature which tours Oklahoma City business and industry.

TRAILER. Two days before the Carolina Bank opened a trailer branch office in North Augusta, S.C., a mobile home similar to the bank office was pulled through the streets. Signs proclaimed the date, time and location of the opening. The office's permanent home is now under construction adjacent to the trailer bank.

Commercial Bankers Get Acquainted

with Area's Industries

Here's another program for keeping bankers in touch with industrial customers' operations. Our reporter is Ann G. Crouse, editor of Commercial Courier, staff publication of National Commercial Bank & Trust Company, Albany, N.Y., whose plan she outlines.

FEELING that a knowledge of a customer's operations is a good foundation for customer-bank relationships, National Commercial Bank keeps in touch with its many industrial neighbors by frequent visits to their home bases. In addition to its officers' call program covering business accounts, the bank arranges group visits of officers and employees to plants of area businesses and industries.

Such an occasion was the visit (pictured) by bank people to the Argus-Greenwood Printing Company, Inc.,

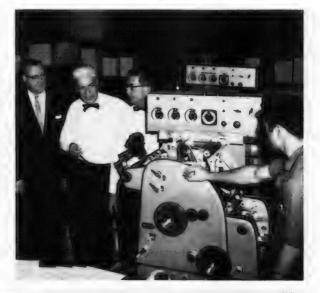
in Albany. Of great interest to the touring bankers was the department where the bank checks are imprinted with magnetic ink symbols.

A keen interest has been shown by the bank's staff in these visitations, and they sign up quickly to join a group whenever the opportunity arises. The personnel and management of the industries or businesses visited are also pleased, and make the visits special occasions, usually playing host at a luncheon before the tour, either at the plant cafeteria or at a nearby restaurant.

The continued growth of area businesses and industries means growth for the bank, and with a better understanding of customers' problems and needs, the bank can serve them more fully.

These visitations contribute to good community relations because the bank's staff and the industries' personnel often work together on civic projects.

At a visit to the plant that prints the bank's checks, the company's president, Kenneth A. Hamilton, center, and Howard L. Watrous, right, explain the process to National Commercial's senior vice-president, Herbert A. Jones



BIG TURNOUT. More than 10,000 people visited a new office of Old Kent Bank and Trust Company, Grand Rapids, Mich. Attractions included Miss Michigan and Miss Grand Rapids who presented musical programs during the open house.

CONCERTS. The Lincoln Savings Bank of Brooklyn, N.Y., sponsored a series of summer orchestral concerts at Coney Island.

WELCOME. Santa Monica (Cal.) Bank, which sold several thousand silver dollars for 98 cents each last winter, rolled out red carpets from door to curb at its three branch offices prior to a Dollar Day. On that occasion the bank offered personal money orders and coin banks at reduced prices.

SPECIAL. A 12-page section of the News-Sun featured the opening of the new home of the Springfield (O.) Savings Society and the Savings Society Commercial Bank— "the Banking Center."

Banks Present.

Everything from Ship Models to Kitchen Sinks, Concerts and Cookies

CLIPPER

The Rockport (Mass.) National Bank, just across Main Street from the Atlantic Ocean, added a nautical touch by exhibiting in the lobby a model of the clipper ship Flying Fish, assembled by T. F. Wiberg of nearby Pigeon Cove. The ship, built at Boston in 1852, was used in the China trade by her Boston owners. When Mary Helen Woods and Dana Woods, whose mother is in the bank's loan department, stopped to see Mr. Wiberg's reconstruction they got their pictures taken





OPERA

The Southern Ohio National Bank of Cincinnati had a series of window dis-plays promoting the local summer opera season, presented at the zoo. In the display pictured toy animals were grouped in front of model stage designs for Acts I and II of Rigoletto. This exhibit was created by Jane Fitch, an interior decorator; the sets were the work of Richard Martin, resident designer for the Cincinnati Summer Opera

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CENTENNIAL

The First State Bank of Norton, Kans., had a float in Norton County's centennial parade, in celebration of the state's 100th birthday. All bank employees and their families joined in building the float, constructed on a hay trailer. Ten children of the bank's officers rode the vehicle and tossed new pennies to youngsters along the route



CARS

The parking lot of the Citizens Bank, Hamilton, Ohio, was the scene of this new car display by the dealers association



BOATS

The Commercial Bank and Trust Company of Ocala, Fla., had this lobby display for National Safe Boating Week





SERVICES

National Bank of Westchester, with headquarters in White Plains, N.Y., promoted "automatic banking" with this window, by Marwell Displays at its main office. Smaller displays on the theme were used at county offices

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COOKIES

The Philadelphia National Bank carted cookies to the National Biscuit Company's plant—a-coals-to-Newcastle idea. PNB sent a batch of Chinese fortune cakes to 1,300 NBC employees, bearing messages of banking benefits awaiting them at all the bank's offices. Each cookie, with its concealed message, was in a cellophane bag. Printed in Chinese red, the note was headed "Please to Honor Humble Staff." The text was in similar vein, offering full-service banking, and "May fortune radiate fullest blessings on you." Cakes were distributed in the cafeteria



SAFETY

The chief causes of car accidents were shown in this display at Citizens and Southern Bank, Philadelphia, by Assistant Vice-president Gerald Levinson and Sgt. Harry Kuntzmann of the Police Department's safety education unit



KITCHEN

First National Bank and Trust Co. of Tulsa frequently lets customers display products in its lobby. Lois Neighbors of the staff demonstrates a kitchen to Assistant V.P. Ted R. O'Shea



CONCERT

The Equitable Trust Company of Baltimore sponsored a "Concert Under the Stars" at the Towson shopping center. We're told it was the first concert sponsored by a bank in the Baltimore area and the first outdoor symphony program offered the people of Baltimore County. Thousands heard the program directed by Dr. William Sebastian Hart director of the Gettysburg Symphony Orchestra. "It was a most gratifying experience for us," said Robert G. Merrick, chairman of the bank's executive committee. The bank hopes to repeat next

NCR announces a new proof concept for banks!



NCR releases the most complete, most economical Bank Proof Machine ever offered!

WHY? Because the NCR 450 completes the entire proving requirements more simply, more easily, in less time and with less effort than any other proof machine available.

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- 4 Programmable 3-Way Batch Control
- 5 Independent Add-Subtract "List" Total
- 6 Automatic "Single Point" Media Sorting
- 7 Direct, Simplified Error Correction
- 8 MICR Amount and Transaction Code Number Imprinting
- 9 Automatic Endorsing
- 10 Automatic Itemized Listing . . . with bank identification . . . for all distributions
- 11 Time-Shared Media Handling
- 12 Greater Production . . . more operator conveniences . . . minimum fatigue

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.... Trends in Mortgage

THEODORE VOLCKHAUSEN

Housing Starts

Housing starts will do well to exceed 1960's figure by 2% or 3% according to *Economic News Notes*, published by the National Association of Home Builders. For the first seven months FHA starts were off 14%; VA starts ran 4% ahead; conventional starts just about equaled those of a year ago. So, if there is to be a gain, if the gap is to be closed from this point on, it is likely to come from stepped up conventional and FHA mortgages.

Sixth Regional Mortgage Conference

A.B.A.'s Sixth Regional Mortgage Conference held in Dallas last month brought together more than 125 southern and southwestern bankers. To them was outlined the progress being made in the establishment of an insured secondary market for conventional loans.

Participating in the panels and seminars at the conference were prominent members of the Mortgage Bankers Association. They assured the delegates of cooperation in working out a program for the national mortgage market and agreed that there is an acute need for such a market.

Views of the Mortgage Bankers

In view of the promise of vastly expanded mortgage financing requirements for the years ahead, the mortgage bankers agreed that there will be many areas which can well be served by commercial banks; many others where there will be room for all; but that there are many areas where mortgage banking firms are fully serving the needs of the community. It was urged that banks in these places doing business with such firms as depositories and as lenders of interim and long-term funds, take a "long hard look" before entering the mortgage origination and service business on a large and expanding scale.

Servicing Fees

There is concern in mortgage banking circles that banks, in efforts to build portfolios quickly, will retreat from the $\frac{1}{2}$ of 1% servicing fee which has become the established charge on one- and two-family mortgages. The many costs involved in the origination and servicing of mortgages were outlined and bankers were urged to examine all these facets carefully before considering going into the business on a "cut-rate basis."

Views of the Commercial Bankers

It was emphasized again that the commercial bank not providing mortgage financing cannot count on—perhaps does not deserve—its share of the savings deposited by people in the community. Recent excellent increases in savings by commercial banks, mainly those paying 3% interest from day of deposit to day of withdrawal, are leading more of them to explore the opportunities of building a mortgage department or expanding present operations. Major city banks aiming at expansion into the suburbs, or at obtaining more suburban accounts, are being urged to provide home mortgage financing more freely.

Savings Deposits and Mortgage Operations

With growing emphasis being placed on building savings deposits, large commercial banks are placing top personnel in charge of these departments. Such officers believe that the future and the progress of their departments depends on the cooperation of an active mortgage operation.

Not only should savers be able to approach the institution to which they entrust

and Instalment Lending

Editor, Bankers Research, a newsletter

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their savings for assistance in the purchase of a home, but also an active mortgage department will ensure that savings deposits can be invested on a long-term basis at adequate rates.

In spite of improved business and promises of more to come, a growing number of bankers and other instalment lenders are coming to the conclusion that the year ahead is to be one of intense competition for consumer credit volume, with the supply of money in excess of demand.

August was a disappointing month for retail auto sales. The excuse was that dealers held the price line too firmly on the 1961 models because they believed there would be a strike. Evidently that prospect didn't scare the customers at all—they just didn't buy. Also given as a reason was that most of the compact models for which there is the greatest demand were gone.

Regardless of the reasons, it can be stated that, if we don't have a really outstanding fall, there will be some marked downward revisions from recent predictions of a 6.5-7 million model year. The September figures should be available about the time this issue comes out.

There are about 75 more models, about 400 in all, for dealers to sell (and stock) in the model year 1962. Most of the additional ones fall into the classification of "medium size" compacts. This means that dealers will need larger sums for wholesale financing. And it may mean that they will have more slow-moving items.

Immeasurably complicating the outlook for the months ahead is the threat of war. Will more intensified war scares touch off a wave of automobile buying? Or, with nuclear bombs involved, will there be an attitude working against any buying spree while the crisis lasts? One thing is already apparent: Men in the reserve forces are completely uncertain and tend to put off buying anything on the instalment plan.

Public interest in fall-out shelters has quickened a hundred fold since Russia started its nuclear test program. There is a great deal of confusion and misinformation about these shelters and it has been urged that banks gather as much authentic information as they can, boil it down, and furnish it to members of their community.

A few are now advertising lowered financing charges to people building shelters. This type of encouragement will prove constructive only if the financing is used to construct proper and adequate protection. It is hoped that the new 6%, 20-year home improvement loans will be widely offered and widely used for the construction of fall-out shelters. However, as this is written, complications about FHA procedure, about delays in approval, about who is going to offer the loans, whether the rate is high enough, and many other details appear to have bogged that program down.

Competition for Instalment Volume

Automobile Sales

The 1962 Cars

The War Scare

Fall-Out Shelters

Financing Fall-Out
Shelters

October 1961

91

Moral Responsibility of Business

A businessman and a lawyer agree that business must become more aware of this responsibility

Following are excerpts from a speech entitled The Moral Issue in Business delivered recently by F. Mark Garlinghouse, vice-president and general counsel of Southwestern Bell Telephone Company to the Southwestern Graduate School of Banking, Southern Methodist University:

N October 1959, a Congressional Committee made headline news by exposing the rigging of TV quiz shows. Some of the amazingly intelligent contestants, it turned out, were apparently no smarter than the rest of us; they had been supplied the answers ahead of time. So the shows were planned, but they had been represented as unplanned quizzes. Millions of fascinated fans were outraged at having been duped. Yet no law had been broken. Precisely what is the lesson to be learned from this incident? I think it is that the American public insists upon truthfulness by business in any representations which it makes, even though no specific harm is done by the misrepresentation.

In mid-1960 the American business community was jolted with the news that the president of Chrysler Corporation had resigned under pressure because he had held an interest in two companies which did a substantial amount of business with Chrysler. This is one of several "conflict of interest" situations which have arisen in various industries in the last couple of years and have caused consternation among business executives. As a result, many businesses, including my own, have renewed their efforts to make certain that any harmful conflict of interest situations are avoided.

In February 1961, 45 individuals from 29 corporations appeared in Federal court to face sentences for violating the antitrust laws by rigging the prices of electrical equipment. Business executives went to prison. The reason was that their companies had gotten together to agree on what prices should be

charged for the equipment they sold in competition with each other. It might be that what they did could be considered analogous to a meeting of bankers for the purpose of agreeing on interest rates or service charges.

You will remember reading during the past several months that the Securities and Exchange Commission has been investigating the alleged fraudulent fixing of certain stock prices on the American Stock Exchange. It appears that some members of the Exchange manipulated stock prices and created false markets, with the result that many investors lost heavily.

A little closer to home for you who are in the banking business is the amazing story of the biggest bank embezzlement in recent history in the small town of Sheldon, Iowa. In January 1961 a respected lady, 58 years old, readily admitted she had stolen more than \$2,000,000. Perhaps even more amazing is the reported reaction of the community to this kindly middle-aged lady. Her pastor said of her: "What has happened, has happened to one of the kindest, most generous women in our community." One wonders if such a kindly reaction would have existed if the Federal Government had not insured the depositors.

Three Problems

It requires only a superficial analysis of these and other incidents which we can all think of to recognize that there is more than one kind of problem involved in the moral or ethical lapses of businessmen. It seems to me, in fact, we are confronted with at least three distinct kinds of problems:

First, we have the clear-cut crimes. They are immoralities which no one would ever condone; they have been condemned since antiquity and in all cultures. Robberies and embezzlements clearly fall into this category. There can be no question of the necessity to act against such crimes.

Second, we have violations of controversial laws—that is, incidents which involve violations, either civil or criminal, where the soundness of the laws is in dispute. Thus, their violation does not seem to involve such a serious degree of moral turpitude. Into this category I would put some of the violations of the many business laws which Congress has enacted during the past 50 or 100 years.

Third, there are those incidents which involve no violation of law whatever, but which do involve business conduct—conduct that is questionable in the minds of the public and of other businessmen. This is indeed a nebulous category, and it presents businessmen with their most difficult questions. A review of the problems included in this category leads to the conclusion that what is moral for business is whatever the public thinks is moral. Admittedly this is a hard standard to apply.

Public Opinion

In the long run, it is not enough that the business man views his own activities as moral and legal. What is important is that the public also views those activities as moral and legal.

If a particular business practice meets strong public disapproval for any reason, then new laws restricting that business will soon be on the way.

What we can do is make a real effort, in all that we do, to see ourselves through the eyes of our customers and the public at large. We cannot afford to judge our business practices by our own standards only. We must try diligently to judge them at all times by what the public is most likely to applaud, or at least condone.

Ethical Pitfalls

There are, I think, two main ethical pitfalls which face the businessman in handling these problems.

The first is the temptation to seek a short-term advantage at the expense of sound long-term policy. In this situation the individual businessman may or may not benefit personally; he is not motivated by a self-interest which is in conflict with that of his business; he simply uses

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MANUFACTURERS HANOVER TRUST COMPANY

Manufacturers Trust Company and The Hanover Bank have merged.

The people, experience and resources of both have been brought together into New York's newest bank-Manufacturers Hanover Trust Company.

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bad judgment in failing to recognize that the short-term advantage for his business is more than offset by the long-term disadvantages.

The second ethical pitfall concerns the various conflict of interest situations which will arise in every business. These are difficult because the individual businessman's self-interest does not always coincide with his duty to his company. It will be far more difficult for the antagonists of the free enterprise system to challenge the American system if we can say, with conviction: American businessmen are efficient. They are highly motivated. They are energetic and resourceful. In addition, they are moral men. They are men of integrity. They live by a stringent moral code. They obey the laws. And they know and seek the public interest in their work and in their private lives.

Below are excerpts from a speech entitled The Moral Responsibility of Business Leaders delivered recently by E. Smythe Gambrell, a member of the Atlanta Bar and former president of the American Bar Association to the American Bar Association Committee on Savings and Loan Associations:

Your chairman has asked me to talk of some of the growing pains of business, including the savings and loan business. Long ago the Greek historian, Polybius, wrote: "At Carthage nothing which results in profit is regarded as disgraceful." Recent revelations of unethical conduct in various fields are causing many to inquire whether we today are witnessing a weakening of the foundations of business morality. Growing public concern is expressed about the area where ethics and money intersect.

Respected heads of some of America's greatest corporations, discovered in self-dealing and other questionable practices, are being brought to the bar of public opinion or to the bar of justice. It is not clear whether this should be considered a sign of moral lapse or of awakening public conscience.

Not to be overlooked are some disclosures in the savings and loan field. Questionable conduct has been revealed in a variety of patterns, having the central scheme of directors using their relations with savings and loan associations to advance, directly or indirectly, their own financial interests. These developments often have involved a director or directors receiving proceeds of loans made by their respective associations in exchange for a proprietary interest which the director or directors had in properties serving as security.

These exposures in some instances have done more than spoil the careers of the involved individuals; they have cast a cloud over certain areas of business. They have set off a round of inquiries into: Government procurement; the pyramiding of profits in price quotations to Government; rigged methods of "costing"; cozy relationships between Government purchasing agents and salesmen; the interlocking interests and self-dealings of officials in hundreds of corporations; and numerous

(CONTINUED ON PAGE 97)



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Bergstrom Safety Papers offer <u>maximum</u> protection against fraudulent alteration and ragged encoding

"Banks Lose on Bogus Checks"—This unfortunate announcement headlined a feature news article in this very publication. It went on to explain about a substantial jump in check and bank draft fraud.

Bergstrom Paper Company makes it their constant obligation to help prevent such illegalities. Bergstrom produces the finest quality safety papers—safety papers that must rigidly guard against mechanical or chemical erasure, and immediately expose alterations.

The standards for Bergstrom Safety Papers are high. For instance, the paper is carefully

sensitized, and will easily bleach with the slightest attempt of erasure. It's bank-note crisp. The writing surface is satin smooth. Both sides carry the pleasing, tinted surface pattern.

There are other important "plus" benefits. Precise magnetic ink encoders find Bergstrom Safety Papers most compatible for sharp impressions, reducing excessive growth, collar, fill-in, and ragged edges. The paper's strength easily meets the rigorous demands of high speed electronic check sorting.

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Look at the 16 reasons so many banks call on Chase Manhattan for Bank Portfolio Review

Perhaps foremost among the reasons is the fact that Chase Manhattan's Correspondent Bank Portfolio Review Department is a separate and distinct entity set up solely to analyze bank portfolios. A large and skilled staff of specialists devotes all its efforts to this single task at hand. Correspondent banks in need of complete investment advisory service or periodic spot reviews—or simply an informal investment contact to answer occasional questions about their own portfolio holdings—value the prompt and undivided attention their questions receive at Chase Manhattan.

Whatever your reasons for outside advice with your bank's investments—gain more time for other important duties . . . check your judgment with other men who have a unique understanding of bank investment problems . . . make sure your portfolio's composition is in line with latest developments and

trends in the investment market—look at the advantages of using Chase Manhattan's Bank Portfolio Review Service. Send for "Portfolio Review Booklet" and read all sixteen ways your bank can benefit. Write Roger A. Lyon, Vice-President, for your copy today.

THE CHASE MANHATTAN BANK

 $Head\ Office: 1\ Chase\ Manhattan\ Plaza, New York\ 15, N.\ Y.$

(CONTINUED FROM PAGE 94)

other situations which might breed or harbor corruption in Government or private business.

The Gray Area

All business activity ranges between (a) legitimate pursuit of profits, (b) questionable practices in the gray area where the rules are not clear, and (c) downright crookedness. With the multiplication of economic cross-currents and business relationships in modern times, the middle group of activities is spreading. It is apparent that people are finding it more difficult to distinguish between what is proper behavior and what is not, in the "gray area."

There are many who believe that business already is going through a change for the better and is graduating from the mere pursuit of financial gains to conscious acceptance of wide social responsibility. It is said that the modern corporation, enjoying a state-granted charter of franchise, owned by thousands of stockholders, employing thousands of people, and serving millions of customers, is no longer simply a private institution—that the old distinction between private and public interests has become dim, and that an era of business morality is beginning.

It is my belief that businessmen are neither approaching moral perfection nor are they on the brink of total depravity. On occasions like this we should ponder the growing threats to cherished American institutions and counsel together on how to make democracy and self-government work in business. Businessmen who wink at a low level of ethics are inviting political trouble that could result in the loss of many of our treasured freedoms. If we are wise, we will realize that unless business keeps its house in order, an outraged public, with less friendly understanding, will do for business the job of housecleaning which business itself ought to do.

It's Up to Business

If business does not heed the current warnings, it runs the risk of having harsh codes imposed upon it, not by voluntary trade associations, but by lawmakers. Therefore, it is up

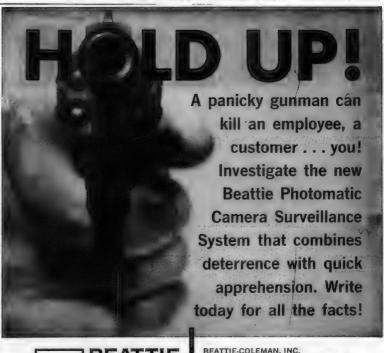
(CONTINUED ON PAGE 98)



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Better Banking Promotions will preview its <u>all new</u> program of full color in-bank displays at the

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(CONTINUED FROM PAGE 97)

to business to see to the firm establishment of its own principles of ethical practices and effective means of self-policing those principles to avoid the imposition of further governmental restrictions on the areas of free business action and decision.

It has been suggested that I say something in particular about the responsibilities of officers and directors of savings and loan associations. At the outset, it should be remembered that such associations have been singled out by the state and Federal governments for special privileges and advantages in recognition of the public interest in promoting thrift and making available a convenient source of funds for home ownership. If the associations are created for the benefit of the public, enjoying the exclusive right to conduct certain types of business and immunity from certain taxes, they must justify their existence by their service to the public, not by overlooking the fact that in the long run the public will demand an accounting. Within the past month the U.S. Treasury Department has urged higher taxation on savings institutions, reflecting a hardening of public sentiment, which may have resulted from recent unfavorable publicity.

Latitude for Action

Present savings and loan laws and regulations are reasonably liberal in allowing directors some latitude and discretion in fixing rates of dividends, rates of interest, and in the general conduct of operations. It is to be hoped that the directors will so maintain their vigilance and fidelity that additional supervisory restrictions will not be considered necessary. Fortunately, the vast majority of officers and directors of the 6,500 savings and loan associations measure up to the highest standards of honesty in the performance of their duties

Although an association must be competitive, it should maintain its conduct and policies on a plane which will not bring disrepute to the savings and loan business, and it should keep all its advertising restrained, truthful, and exact. Operational practices of whatever nature ought to be set with due regard for the public interest and in accordance with long-range common sense.

LB_{PAGES...} LLZ_{ANSWERS}

to your questions about MAGNETIC INK ENCODING

Answers all these questions and many more: • What is MICR? • What does E-13B mean? • Who is the authority for MICR specifications? • How much latitude in specifications is permitted? • What are the specified minimum and maximum sizes of checks? • Can the entire check be printed in magnetic ink? • What is the first step a bank must take to enter the MICR program? • When should a bank begin encoding checks in the common language? • How can we be sure of reliable encoding results in terms of uniformity and signal strength? • Will outside magnetic forces destroy the ink's magnetic properties?

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- What are typical quantities of checks, deposit slips, and reorder forms for various types of accounts?
- Can a bank immediately supply new accounts with encoded checks? What factors should be considered when selecting a check encoding system?

Whether you are already using magnetically encoded checks or just interested in keeping informed on the subject, you'll find this booklet informative and helpful. Send for your copy of Questions Frequently Asked About MICR and Magnetic Ink Check Encoding by simply filling out and mailing the coupon.





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AVOID ERRORS



PROVIDES POSITIVE FINGERTIP CONTACT

Just a touch of your fingers to the new and improved Rite-Line SURE-TOUCH finger moistener makes handling of papers, sorting of checks and counting of money, quick and sure. Will also improve your grip in golf, tennis and bowling. No grease, no odor, no stains. Withrough your stationer, o



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Savings Bond Forgeries Are on the Increase

IME was when thieves would cull out Savings Bonds from their loot and throw them on the floor. But this is no longer the case. Rings of crooks are doing a business in acting as "fences" for the disposal of stolen Savings Bonds through forged signatures and identification papers. And in some cases banks, rather than the U.S. Treasury, suffer the losses. Evidence gathered by the U.S. Secret Service reveals that the traffic in stolen Savings Bonds is well organized. In one investigation the Secret Service arrested 13 persons. A com-

bine in New Jersey was responsible for the forgery of more than \$250,000 in Savings Bonds.

In another case two men, arrested in North Carolina, were found to have negotiated eight \$1,000 Savings Bonds, part of \$70,000 of bonds stolen in a house burglary in New Rochelle, N.Y. The pair had obtained the bonds from a fence in New York City, but refused to identify the latter for fear of underworld vengeance.

In June at Niagara Falls, N.Y., a man was arrested while trying to (CONTINUED ON PAGE 102)

New Chief of Secret Service

James J. Rowley on September 1, 1961, succeeded U. E. Baughman as chief of the U.S. Secret Service in the Treasury Department. One of the Service's main duties is to protect the currency from counterfeiting and prevent the forgery of checks and other obligations of the Federal Government. From January 1947 until this September Mr. Rowley was special agent in charge of the White House detail, engaged in the protection of the President.

Altogether, Mr. Rowley served 22 years on the White House detail, a historic period. During World War II he played a key role in protecting President Roosevelt both in this country and on the President's many trips abroad for conferences with Allied leaders at Casablanca, Tunis, Cairo, Teheran and Yalta. He was in the advance detail of agents sent to Potsdam during the Truman Administration and in 1950 was in charge when an attempt on the life of the President was thwarted at Blair House. Rowley accompanied President Eisenhower to Korea and traveled in many countries in connection with Presidential trips. The new chief also



James J. Rowley

personally planned President Kennedy's security in Paris, Vienna, and London.

Born in the Bronx, New York City, in 1908, Mr. Rowley, upon graduation from high school, went to work as a bank investigator. Later he was made an investigator for the New York State Banking Department. Meanwhile, by night work, he earned his LL.B. and LL.M. degrees from St. John's University in Brooklyn. He joined the Secret Service in New York in 1937 as special agent, working on counterfeiting and forgery cases.



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Throughout the length of its long lines, the Dow Jones business news organization gathers vital information of value to the bank and its important customers . . . and transmits that news directly to alert subscribers who seek the "competitive edge." News of industry and commerce, finance, legislative acts and trends, labor-management developments . . . news that suggests profit opportunities and news that reveals the need for protective action! All of this comes to you first when you have Dow Jones Instant News Service on your premises. With Dow Jones you have much more to offer customers and prospects. Dow Jones

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cash \$2,400 in Savings Bonds. His collaborator also was seized. The two had successfully negotiated \$4,000 in stolen bonds. The method used was common. The two, having the stolen bonds, were furnished two blank driver's licenses. Then they went to a bank and opened a small savings account and rented a safe-deposit box. They represented themselves as new settlers in the community. Finally,

they pretended that they were buying a house and needed to cash the bonds for a down-payment. The bank was easily fooled.

Wariness Stressed

According to the Secret Service, in numerous instances large amounts of stolen Savings Bonds are redeemed on the basis of fraudulently obtained or counterfeited driver's licenses used as identification. The Secret Service urges banks to be extremely wary

when large amounts of Savings Bonds are submitted for redemption, especially when the bonds show an out oftown address and are accompanied by a driver's license as identificat on. It is highly advisable that bank employees be thoroughly familiar with the Treasury's instructions governing identification documents and procedure for negotiating bonds. In stolen-bond cases, Secret Service agents frequently find that bank employees are not even aware that the instructions exist. A continuous training program for new employees is highly desirable.

Savings Bonds referred to the Secret Service for investigation on suspicion of forgery totaled 5,232 in the fiscal year 1959, 5,218 in 1960, and 10,402 in 1961. Cases closed in fiscal year 1960 involved 3,750 Savings Bonds valued at \$446,840; and in 1961, 7,603 bonds valued at \$1,063,000.

Chief Rowley advises BANKING that:

"Banks are held accountable for reimbursement to the Treasury Department, where investigation demonstrates that forged bonds have been accepted without exercise of the caution required of paying agents. By following the Treasury's instructions to paying agents, banks not only make a significant contribution to the suppression of bond forgeries, but also protect themselves against losses."

(CONTINUED ON PAGE 166)



"I felt so sorry for Oakland being left out of everything, so I went over and bought a housedress!"



by the nation's finest banks

Quick customer service!

Simplified MP keys respond to fingertip pressure — speed change making. Fast load and unload.

Mechanisms enclosed!

MP mechanisms are completely enclosed – no unsightly "works" to see or collect dust.

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Choice of attractive harmonizing colors in harmertone finish. Tan and silvergrey are standard; inquire about special colors and finishes.

Simple, accurate!

Simple spring operation and guaranteed construction — assures lifetime service. Thousands in daily use.

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Occupies minimum counter area (8" x 10"); saves space. Top tray is easy to remove—stores in minimum space.

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Has \$125 capacity (1c thru 50c). Removable top tray, concealed inner storage box and attractive dust cover included. Price... only \$69.00



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Lowest priced, fully
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Fast-silent-accurate
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optional right or left hand tilt
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Semi-automatic.
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(1c thru 50c). Top holds full roll
of each coin. Price . . . only \$54.00

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The complete line of MP change making equipment also includes -

MP Senior — has key for silver dollars. Price ... \$75.00 MP Jr. Roll-out Base — for all MP Jr. changers. Price ... \$22.50 MP Coin Holder — holds all coins. Price ... \$15.00



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Now, banks can have complete on-line service for as little as \$1075 per month!

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Telebank centers will provide complete service to banks on a fee basis. The service eliminates large capital investment, central site preparation, programming, maintenance and other major operating costs. Tellers will be in direct, continuous contact with the data processor which will also handle automatically interest calculation, mortgage accounts, and other banking functions.

Teleregister has the only on-line banking systems built and operating. You can see a demonstration of on-line transactions actually taking place at the October A.B.A. Convention in San Francisco. Teller machines will be connected cross country to a Telebank center on the east coast. Elapsed time per transaction-less than one second.

See on-line banking in action

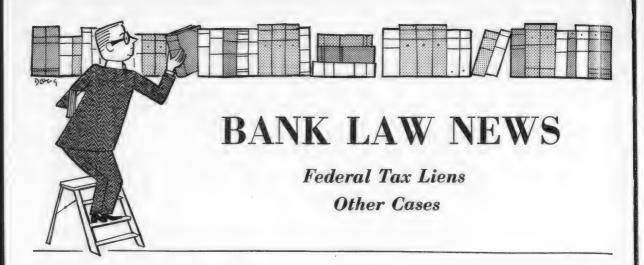
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FEDERAL TAX LIENS

There is no doubt, at least in this corner, for the need of legislation clearing the air with respect to the priority and effect of Federal tax liens. The need becomes more evident with each new decision handed down by the courts. We offer three recent cases to prove our point.

In a case decided by the United States Court of Appeals for the Seventh Circuit, the court ruled that a Federal tax lien was superior to the lien of an assignee of specific accounts receivable although the assignment had been made prior to the assessment date of the taxes due and prior to service of notice of the tax lien.

From March 21, 1958 to June 10, 1958, the taxpayer had borrowed a considerable amount of money, evidenced by promissory notes and secured by assignments of specific accounts receivable. The account debtor was notified of each assignment and made payments directly to the lender. This transaction was consummated in Illinois. Under Illinois statutes, no filing or recording is required to perfect an assignment of accounts receivable.

Federal withholding and social security taxes were assessed against the taxpayer for the period April 1, 1958 and September 30, 1958. The assessment dates were August 15, November 7, and November 14, 1958. Notices of the Federal tax liens for the assessments were duly filed and

Taxes Withheld to Be Treated as Deposits

In Rulings issued in 1942 and 1944, the Board of Governors of the Federal Reserve System stated that certain taxes withheld by a bank should be treated as "other liabilities" in condition reports and that they should not be treated as deposits for reserve purposes. The rulings applied to (1) deductions of social security taxes by a bank from salaries of its own employees, (2) state income taxes withheld from salaries of a bank's own employees who reside outside the state, and (3) Federal income taxes withheld from payments made by a bank as disbursing agent for dividends, bond interest, and for other payments, where withholding at the source is required under the Internal Revenue Act.

The Board of Governors has now stated that these rulings should be regarded as superseded and that withheld taxes, including withheld income taxes and social security taxes of a bank's own employees, should be classified hereafter as deposits in condition reports and in computing required reserves. The text of the Board's current ruling was published in the September issue of the Federal Reserve Bulletin.

Beginning with the next reserve computation period, the withheld taxes described above should be included as deposits in the Report of Deposits and Vault Cash.

on October 9, 1958, a notice of levy was served upon the account debtor, which at the time owed the taxpayer \$17,000.

The lender argued that its liens, which came into existence during the period March 1, 1958 to June 10, 1958, were perfected prior to filing of the tax liens and, therefore, were superior to the Federal tax liens. Not so, said the court. The question, said the court, was controlled by a United States Supreme Court decision, United States v. R. F. Ball Construction Co. (1958) 355 U.S. 587, 78 S. Ct. 442. "We hold," said the court, "Crest's [lender] lien was not superior or

prior to the lien of the United States. We must and do hold that Crest's lien was not choate and perfected as those terms have been defined by the Supreme Court." United States v. Crest Finance Co. (C.A., Ill.) 291 Fed. (2d) 1.

In a case decided by the United States Court of Appeals for the Tenth Circuit, the issue was whether an unrecorded conditional sales contract was superior to a Federal tax lien. On December 10, 1955, the delinquent taxpayer entered into a conditional sales contract with an automobile manufacturer covering a

(CONTINUED ON PAGE 106)

A Development of Importance

TO YOUR BANK AND YOUR CUSTOMERS!

THE 500-MILLION DOLLAR annual loss due to fraudulent check passers has made it necessary to develop a maximum security method that will deter or identify the criminal involved.

This new method, using an identification procedure approved by Federal, State and local law enforcement agencies, has proved to be the greatest deterrent against the passing of fraudulent checks and the forging of documents. Yet, the U. S. Signature Protector © costs less than \$20, and does not require special installation or trained personnel. In just three seconds, positive identification of any signature can be obtained without the use of machine or photo device.

Complete U. S. Signature Protector method costs only \$19.95. Use the coupon for trial order, or to obtain illustrated brochure.

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Complete U. S. Signature Protector® method costs only \$19.95. Mail your order today, or write for illustrated brochure.

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(CONTINUED FROM PAGE 104) stock of merchandise located in Adams County, Colorado. The contract was promptly recorded in Denver County, presumably where the taxpayer's business office was located, but was not recorded in Adams County until March 11, 1957. On February 20, 1957, a notice of Federal tax lien was filed in Adams County.

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At this point, it should be noted that Colorado treats a conditional sales contract as a chattel mortgage for recording purposes and a mortgage recorded in the wrong county has no more effect than an unrecorded mortgage.

The trial court ruled that since the "unrecorded mortgage" was good between the parties and was executed prior to filing of notice of the tax lien, the mortgage lien was superior to the tax lien. "That point is not controlling," said the Court of Appeals in reversing the trial court's judgment.

The question of priority as between the "mortgage" lien and the tax lien, said the court, "must be determined under the perfected lien rule" as pronounced by the United States Supreme Court in the Ball Construction case, cited above. There was, said the court, no perfected lien because the "mortgage" was not recorded in the proper county. To deny priority to the tax lien would be to subordinate that lien to a secret and unperfected contractual lien. This, said the court, it could not permit. Allan v. Diamond T. Motor Car Co. (C.A., Colo.) 291 Fed. (2d) 115.

Consider now a case decided by the United States Court of Appeals for the Eighth Circuit. As in the Diamond T case, cited above, the issue before the court was the priority between a Federal tax lien and a conditional sales contract lien. On May 1, 1956, the taxpayer purchased certain machinery and executed a conditional sales contract. The contract was not filed until April 17, 1957. The transaction was consummated in North Dakota. A notice of tax lien was filed on February 19, 1957. The court ruled that the contract lien was superior to the Federal tax lien.

The court noted that Title 26 U.S.C. §6323 provides that a Federal tax lien shall not be valid as against any mortgagee until notice of lien has been properly filed. The court then reasoned that under North Da-

kota law, the conditional sales contract was, in effect, a mortgage because the parties intended it as a "high grade security to assure the seller's receipt of the purchase price and performance of other obligations" of the buyer. Proceeding from this point, the court concluded that the lien of the conditional sales contract was perfected and not inchoate because the lien came into existence on the execution of the contract. The fact that the contract was not filed until after the notice of tax lien had been filed made no difference, said the court, because the factor of recording of a mortgage was not mentioned in 26 U.S.C. §6323. This requirement, said the court, should not be read into the statute as a condition precedent to the protection afforded mortgagees. Gauvey v. United States (C.A., N. Dak.) 291 Fed. (2d)

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BRIEF NOTES ON OTHER CASES

Purchaser for value. Bank which accepts check for deposit with endorsement "For Deposit Only," ordinarily becomes debtor of depositor. However, where bank permits depositor to withdraw amount of deposit before receipt of notice that payment had been stopped, bank becomes purchaser for value of check and may maintain action against drawer for amount of check. Iola State Bank v. Kissee (Okla.) 363 Pac. (2d) 368.

Federal tax liens. Where real estate mortgage was intended to secure future advances but there was lack of certainty as to whether advances would be made and amount thereof, Washington Supreme Court ruled that Federal tax liens, filed after mortgage was recorded but prior to making of advances, had priority over mortgage lien as to advances made subsequent to filing of tax liens. American Surety Co. of N.Y. v. Sundberg (Wash.) 363 Pac. (2d) 99.

Guaranty. Where payment of "any and all indebtedness and liability of every kind, nature, and character" was guaranteed, court ruled that the guaranty covered the liability as an endorser of the person for whom the guaranty was delivered. Fannin State Bank v. Grossman (Ill. App.) 175 N.E. (2d) 268.



405 Park Ave., New York 22-or-Box 7600, Chicago 80.

October 1961

RAND MONALLY



Wendell Underwood, Mrs. Underwood, and W. Glenn Henderson in the modern pipeline milking parlor financed by New Farmers National Bank, Glasgow, Ky., with a milk assignment. Mrs. Underwood is able to do a considerable part of the work of operating the parlor

How a Farm Representative Keeps Busy

In an interview, W. Glenn Henderson of Glasgow, Ky., Tells About His Bank's Farmer Relations Program

MARY B. LEACH

THE agricultural representative of the New Farmers National Bank in Glasgow, Ky., W. Glenn Henderson, has developed a number of aids to agricultural customers which have a cumulative effect in building goodwill for the bank. For example . . .

The Weigh-a-Day-a-Month recordkeeping program, sponsored by the bank in cooperation with the extension service, will interest many bankers. Within nine months, 500 cows were entered in the program.

Under this Weigh-a-Day-a-Month program the farmer weighs his own milk morning and night on the 15th of the month. These weights, along with the cost of feed, price of milk, milk tests, are sent to the local computing service for compilation of the record of a particular herd. The bank pays for the computing expense.

When entering this program, a farmer agrees that the records made on his herd are for his own use, but that the herd summaries may be used by the USDA and the extension service for research and educational purposes.

The application form for participation in the Weigh-a-Day-a-Month plan includes these pledges:

I will furnish for my own use an accurate dairy scale and record book cover.

... I will promptly mail the record sheet to the computing service designated by the county agricultural agent.

I will attend meetings to discuss the use of records in the breeding, feeding, and management of my herd.

In order to finance this program so that sufficient funds will be available to summarize the records, pay postage, etc., I will pay \$3 for the year for a herd of five cows or less. For a herd exceeding five cows, I will pay an additional fee of 60 cents per cow for each cow over five.

In return for the above, I understand that I am to receive a report each month of the monthly production and calendar year for each cow and also the herd-total-to-date.

Encourages Record-keeping

A primary purpose of the program, of course, is to encourage record-keeping and efficiency in dairying through better management.

In cooperation with the milk buying concerns, the bank has taken the leadership in bringing to the community higher producing dairy cows. A milk company locates the cows, sends the necessary forms to the bank, and, in processing them with

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Purina Dealer T. Lewis Morris (left) and Banker Dickerson discuss extension of credit to dairymen and poultrymen before loans are made.

"TEAMWORK WITH OUR PURINA DEALER HAS ADDED TO COMMUNITY INCOME"

- says J. G. Dickerson, Vice President, Union Bank and Trust Company, Amelia, Virginia

It is difficult to estimate the amount that farm income has increased through the teamwork of Union Bank and Trust Company and Amelia's Purina Dealership, S. T. Morris and Company. It is certain that the figure is substantial.

S. T. Morris and Company, a bank customer for 34 years, became the Purina Dealer four years ago. Since then, Union Bank and Trust Company has financed the Dealer's expansion, including a new building and part of the bulk feed equipment. The feed business has tripled.

The Banker-Dealer teamwork has added to Amelia's prosperity in two ways. It has helped farmers increase their incomes and purchasing power. Services of the Dealership have extended the town's trading area by attracting farm folks to Amelia. This helps the town's retail and service establishments.

Many dairy and poultry customers of the Dealership are financed by the Bank. Dealer Morris has introduced several of these people to the Bank and, in doing so, has brought new customers to Union Bank and Trust. This is good volume, low-loss business for the Bank. It is an important community service as well.

Write for your complimentary copy of the Purina booklet: "New Profit Opportunities with Agricultural Loans." It reviews modern trends in animal agriculture and gives actual examples of profitable Banker-Dealer associations.





PURINA ... YOUR "PARTNER" IN SERVING ANIMAL AGRICULTURE

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Farm Representative

(CONTINUED FROM PAGE 108)

the farmer, establishes a percentage milk assignment to the originating company.

Diversification of Activity

In addition to the Weigh-a-Day-a-Month program, the bank extends these services:

(1) The bank furnishes a meeting place for the Barren County Rural Development Agency Committee and a number of other agricultural, cultural, and civic groups. Mr. Henderson is a member of all local farm organizations, has served as chairman of several, and works with them in formulating and activating various community projects.

(2) A special project loan program for FFA and 4-H Club members has been developed in cooperation with the leaders of these groups. During a 12-month period, all interest on loans paid by members of a particular chapter or club is computed and 66%% of the interest is returned to the club or chapter as-a-whole at its anual meeting.

"This is one of the best public relations programs we have," said Mr. Henderson. "One FFA chapter of 68 boys borrowed over \$2,500 in one year. We also furnish official 4-H and FFA calendars to each member and this year we had our name going into over 800 farm homes in the county. Each 4-H Club member is given a 4-H pencil on completion of a project."

(3) Mr. Henderson devotes from three to four days a week to on-the-farm visits and counseling with farmers and farm-related business concerns. "I attend as many auctions as possible," he said, "because more farmers are contacted at the sales than is possible during six weeks of on-the-farm visits. The farmers appreciate having me attend and I'm able to make many good loans that otherwise would go to other agencies."

One way to lower operating costs is to decrease bad debts. The surest way to get it done is to put a man on the job who knows what he's doing—like your local ACA collector.

He has educated, trained and proved himself to be a successful professional collector. He knows the value of tact. And he knows how to set up an automatic schedule for bringing in your aged accounts. You only pay him for what he actually collects.

ACA offices serve 8000 communities in all 50 states, Canada and some foreign countries. Use the one in your community and recommend his services to your customers.

Call the American Collectors Association office listed in your Yellow Pages, or write directly to ACA.

IS YOUR BANK GETTING THE MOST FROM ITS COLLECTIONS?

Ask your ACA collector-he's paid to know



AMERICAN COLLECTORS
ASSOCIATION, inc.

5011 Ewing Ave. S., Minneapolis 10, Minn.

An International Association of Collection Specialists

Camera Packing Banker

Mr. Henderson carries a 35-mm camera on his visits, and when there's something happening of special interest he snaps black and white or colored pictures. If the pictures turn out well, they are displayed in the bank lobby, and the farmer and his family troop in to see them; and later they are sent to the family.

(4) Still other services of this enterprising bank include: (a) Congratulatory letters to people who are written up in the local newspaper; (b) free farm record books to customers and some noncustomers at the beginning of the year; and in-plant banking services in the local factories. The cost of the latter service is nominal and the bank finds it a profitable way to attract business that otherwise would go elsewhere.

The record books are useful to the farmer as well as the bank, in that they are used by the bank in establishing lines of credit.

"We are beginning to do more intermediate-term financing for from one to three years, with the repayment schedule based on anticipated income." Mr. Henderson said.

Every time someone makes his mark in the world someone else is waiting to use the eraser. Tom Anderson

old masters

at the fine art of correspondent banking

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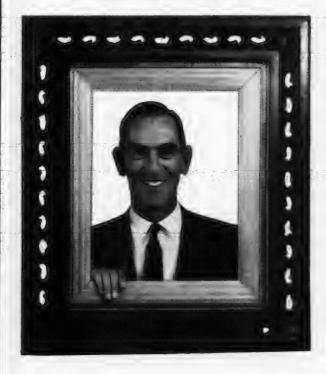
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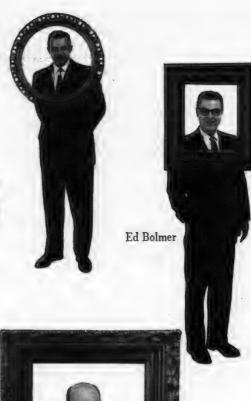
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1962 Income Prospects for Farmers

"Assuming a continuation of present support levels for most crops, and including the probable effects of the Agricultural Act of 1961, cash receipts from marketings of crops in 1962 should be up some from the estimated level for this year."

ARTHUR MAUCH

ENERAL economic recovery has been at a rapid rate. Farmers have had a small share in it. This mild boom will continue into 1962 and gross national product should be at the annual rate of \$560-billion in the second quarter compared with \$515-billion in the second quarter of 1961.

Farmers' realized net income in the first half of this year was at the annual rate of \$12.6-billion, 12% above a year earlier. Cash receipts should be about \$35-billion for 1961 compared with \$34-billion in 1960.

Increased Government payments, largely as a result of producer participation in the 1961 Feed Grain Program and some advance payment under the 1962 Wheat Program are likely to more than offset higher farm operators' expenses. As a result, realized net income in 1961 may total about a billion dollars more than the \$11,7-billion last year.

Little Over-all Change in 1962

Prospects for 1962 are for little over-all change from the estimated 1961 income level. Assuming a continuation of present support levels for most crops, and including the probable effects of the Agricultural Act of 1961, cash receipts from marketings of crops in 1962 should be up some from the estimated level for this year. Cash receipts from livestock may decline a little in 1962 due to the outlook for lower prices for hogs and eggs. Over-all, cash receipts and Government payments to farmers are likely to total larger than the prospective 1961 amounts, but perhaps not sufficiently to more than offset a likely rise in production expenditures.

Farm Costs

Farm production expenses climbed less than 4/10 of 1% in 1960. This was the smallest increase since 1949. They are now running about 1% above a year ago. The continued upward pressure on farm production expenses in 1962 will be from higher prices in some nonfarm purchased inputs and the trend to buying more of the total farm inputs.

Cost of living to farmers as consumers also will be about 1% greater next year.

Real Estate Taxes: The average annual increase for the past five years has been over 6%. Farm real estate taxes will continue upward but at a slower rate.

Wage Rates: The number of hired farm workers continues to decline. The U.S. average per hour farm wage rate was 82.5 cents on July 1, 1961. Higher quality farm labor needed for operating complex farm machines plus competition from high nonfarm rates will continue to move cost of farm labor higher.

Farm Machinery: Farm machinery prices have advanced 19% in the past five years. Increased activity in the general economy plus improved prospects for farm income will result in higher costs for farm machines next year.

Feed: Feed prices will average higher. Feed grain and mixed feed will be up, due to reduced acres of the Feed Grain Program and higher supports, and extreme weather in some areas. The 1961 level of support for corn is \$1.20 a bushel, up 14 cents from 1960. High protein feed, however, will be a little lower because of the large increase in soybean acreage.

Some of the states which have been hit by drought will be short of hay this winter.

Livestock: The supply of replacement livestock should be larger than a year ago. Both the calf crop and lamb crop were up 1%. Hog farrowings this fall will be 3% to 5% over the fall of 1960. Prices for replacement livestock will likely be a little lower in the spring of 1962.

Fertilizer: Farmers continue to use more fertilizer and plant capacity continues to expand. Large volume has enabled many dealers to shave margins and still provide spreading, blending, and financing services. Fertilizer prices should be no higher in 1962 and may be lower for farmers buying in slack season.

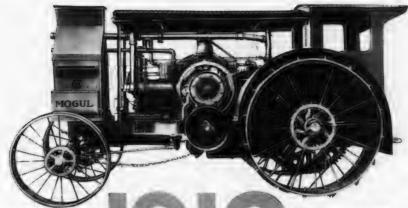
Farm Real Estate: Farm real estate prices have strengthened slightly in 1961. Farm earnings during the past year have been about 3% of investment. Earnings from common stocks in relation to price have been dropping. This will make land look like less of a poor buy. Most farm land is in strong hands. Only 1.5 farms per 1,000 have been involved in foreclosures or distress transfers.

Changes in farm real estate values will vary by areas but with prospects for increased farm income and some general inflation the trend will be slightly upward in 1962.

Dairy

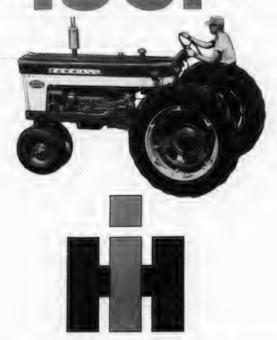
The trend toward fewer and larger dairy farms will continue. The percent of farms keeping cows declined from 68% in 1950 to 48.4% in 1959. Production per cow has increased to 7,000 pounds, 1,700 pounds above 10 years ago.

(CONTINUED ON PAGE 114)



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Look for continued increases in production in 1962 to a new record high. Since production will continue to increase faster than consumption, the dairy industry will still be plagued with a surplus problem. Government purchases will continue up to at least 5% of total production, and probably 8% or higher.

Over-all consumption of dairy products will not keep pace with production in 1962.

Prices will be strongly influenced by Government support levels. Present prices will hold until March 31, 1962. With increasing production likely in 1962, and accompanying adequate supplies of milk for consumers, a large raise in the support level does not seem likely. With more farmers coming under Federal order, the income of these farmers may be raised slightly. Whatever the level of support prices set by the Secretary, actual prices will be close to that level throughout 1962, because of adequate supplies of milk for all products and adequate processing facilities.

If economic growth is accelerated following new defense spending, a possible raise in the cost of items purchased by farmers could lower net income. Consequently, in 1962, net income from dairying could be down slightly or at the best, steady compared with 1961.

Beef Cattle

Beef production has been increasing not only because of a moderate increase in the calf crop, but more important by the increased weight to which cattle have been fed before slaughter. Most significant has been the definite trend to grow out dairy type calves to feeder weights instead of slaughtering as calves. With a turn through feed lots, the total increase in beef is more significant than indicated by numbers alone.

Negative margins of recent years have been a price depressant on feeder cattle. Except for limited seasonal periods, fat cattle have sold for lower prices than they cost as feeders. This has resulted in a cautious attitude on the part of both cattle feeders and bankers. Many "in and outers" will elect to be out this year.

Feed costs will be higher and raise the cost of gains on cattle. However, as cattle feeding has tended to become more specialized, with heavy capital investments, the operator is under some compulsion to keep in business. Most cattle feeding equipment does not lend itself to alternative uses, so in the final analysis, the operator tends to ignore his fixed costs in the business and consider only his variable costs in making the decision on how much to pay for feeder cattle. He may resist as long as possible but finally yield to price levels that he considers too high for profits.

On the brighter side is the prospect for improving demand. Higher levels of industrial activity, Government spending and consumer spending should benefit the cattle market in 1962.

Hogs

By and large, the expected supply and hog price picture is quite favorable for the rest of 1961 and into the early months of 1962. Hog slaughter will increase but not enough to push prices down to unprofitable levels. The pressure from competitive products—beef, broilers, and turkeys—will be somewhat heavier for the remainder of the year, but not enough to drastically affect the hog market.

Fall sow farrowings relative to 1960 will be up 3% to 5% and the pig crop will be expanded 4% to 6%. Even with this expansion, prices for barrows and gilts should be in the range of \$15.50 to \$16.50 per hundred weight in the first half of 1962. Farrowings will again increase in the spring, by perhaps 4% to 6% in spite of the damper of the Feed Grain program. Prices through the summer should continue good, but will average lower in the last half of 1962 than



a year earlier. No real break in price will come until late in 1962, if at all.

Lambs

The real impact of the high rate of lamb slaughter this year will probably be felt in 1962. The slaughtering of an unusually large part of ewe lamb inventories will likely result in a reduction of breeding ewes next year. Slaughter supplies may be lowered for several years. The USDA reports that this situation is similar to that in 1956 when slaughter during the early months of the year was also large relative to numbers on hand. Average lamb prices were depressed until May that year when they rose above a year earlier and continued above for over two years. It is not anticipated that lamb prices will reach above 1957-58 levels soon, when choice lambs, Chicago, averaged better than \$22. It appears that with a probable reduced supply of lamb and continued competition from other meats, 1962 prices will probably average in the \$19 to \$20 range for choice lambs, Chicago-about \$2 per cwt, more than in 1961. A prediction of future lamb prices is difficult to make, but recovery from the depressed prices experienced during the first half of 1961 seems certain.

Eggs and Poultry

In the first quarter of 1962 the price of eggs is likely to be down about 8 cents a dozen below a year earlier due to the large hatch of chicks early in 1961. The lower summer hatch should bring prices up 3 or 4 cents in the second quarter to slightly above 1961's second quarter.

Nineteen sixty-one has been a year of considerable changes in price for broilers and fryers. For February the United States average farm price was 17.6 cents a pound, while July was 12.6 cents. June prices were exceptionally low and they have continued near these levels since and probably will remain there during the remainder of this year.

The months of weak demand again will be October, November, December, January, and February. Estimates based on United States broiler marketings determined by previous placements in 22 states indicate that about 30% fewer broilers could be marketed at a given price in December than at the same price in the preceding July.

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SAN HANGISOUS 87/Th/ABA Convention

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(CONTINUED FROM PAGE 114)

Looking at 1962 as a whole, if marketings are up 3% to 4% over 1961, prices will likely average about the same for the year. If marketings are up 10%, prices probably will average one to two cents lower for the entire year.

Crops

Government programs will continue to have more impact on crop acreages in general. The new programs make it impossible to shift diverted acres to other surplus crops. With increased yields, production will decline less than acreage.

Wheat-The new wheat program will increase income to most wheat farmers. In addition to a guaranteed price of \$2 per bushel, 21 cents above 1961, for all wheat on allotted acres, growers will receive production payments on diverted acres almost equal to that usually obtained from plant-

The reduction in production from the new program will do little in the next year to alleviate Uncle Sam's disposal problem, Carryover stocks of old wheat on June 30, 1962, are expected to be about the same as this year's stocks-about 1,397,000,000 bushels. We use about 500,000,000 bushels for food in the U.S. and export about 675,000,000 bushels, mostly subsididized. In addition, we use 64,000,000 bushels for seed, and 45,000,000 for

Soybeans-We may be ending the year with a 25% increase in the supply of soybeans. The support price is \$2.30 a bushel. This could result in a more than substantial carryover at harvest time in 1962. Farmers missed a real opportunity to hold beans last year-so they will likely overhold

this year. The large crop may create a storage problem.

Like so many other crops, the attitude of Government toward exports. carryover needs, and politics will determine the price in 1962.

Tobacco-A firm demand is expected for cigarette tobacco.

Cigarette output the past year surpassed any previous year. Cigar and cigarillo consumption in 1961 is also expected to top last year's.

The total supply of both flue-cured and burley tobacco in 1961-62 will likely be a little lower than in the past year. The 1961 crop of flue-cured tobacco will be about 1,240,000,000 pounds compared with 1,250,000,000 in 1960. For burley, about 530,000,-000 pounds in 1961 compared with 485,000,000 in 1960.

The 1961 crop support level is 55.5 cents per pound for flue-cured and 57.2 cents for burley tobacco, the same as for the last two years. The average price received by growers for the 1960 crop exceeded the support level-for flue-cured, 60.4 cents and for burley 64.2 cents a pound.

Cotton-Disappearance of cotton in the U.S. during the 1961-62 marketing year is expected to be about 14,000,000 bales, slightly less than in 1960-61. Larger mill consumption is expected, but exports probably will be smaller. The 1961 estimated carryover is only about half the record high of 1956.

For the 1961 crop, the support price for Middling 1-inch cotton at average location has been announced at a minimum of 33.04 cents per pound. The estimated production of 13,918,000 bales for 1961 compared with 14,272,000 last year.

GADGETS

We are intrigued by gadgets. We devote a lot of time and spend a lot of money in developing them, and, while they have little intrinsic value since they are not salable, they have tremendous value to us because of their contribution to our specialized needs. For example, we hang twenty-eight hundred dollars worth of gadgets on a conventional press and each is important to us although perhaps not too appealing to other establishments.

What gadgeteering does for us is that it permits us to utilize a standard piece of equipment which, when loaded with our improvements, enables us to get an output considerably in excess of the rated factory capacity. This is no reflection on equipment manufacturers from whom we buy because they have no general market for the innovations that are standard with us.

About fifty per cent of the gadgets we develop originate with the man on the job. His ideas are tried and. if they don't work, we get them out of sight without delay. If they do work, the only reward he gets is the satisfaction of knowing he has made a contribution. There is no "cent" in our incentive, which means that as a company we are always indebted to our people. This in no way hurts our pride.

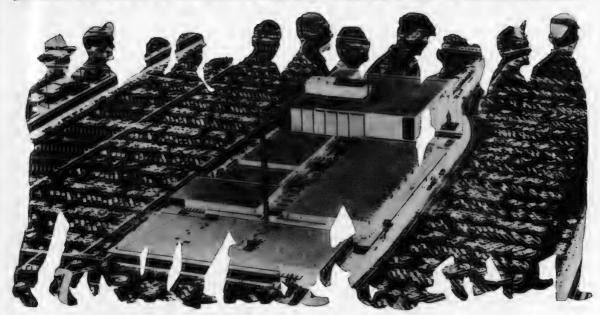
The point is that if we do enjoy any manufacturing advantage over other check printers, it is largely due to the fact that gadgets contribute to processing and process controls. These devices are a constant challenge to our inventiveness and we never hope to catch up. While it is difficult to pinpoint their value to our customers, we think in the aggregate they provide the "plus" they get from us.

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NEWS for Country Bankers

How the Jaycees' Outstanding Young Farmer Program Works

The Outstanding Young Farmer Program of the U.S. Junior Chamber of Commerce has been found valuable from a public relations standpoint by individual banks and by at least one state bankers association. Because of its natural built-in publicity values, BANKING has interviewed by mail the South Dakota Bankers Association and the First Citizens Bank & Trust Company in Smithfield, N. C., both of which sponsor the Jaycees' OYF program on a statewide basis.

As a background for the experience of the SDBA and the FCB& TCo., Max D. Nalley, director of the Public Affairs Department of the U.S. Junior Chamber of Commerce, Tulsa, Okla., has given us this statement on what the OYF program is, what it does, and how it does it:

"The Outstanding Young Farmer program is basically an awards program honoring young farmers on the local, state, and national levels who have made outstanding success in their farm careers, in their conservation practices, and in their service to their communities. The purpose of the program is to provide better understanding of the farmer, his way of life and his problems, and thereby bring about better urbanrural relations.

"I should explain that in 1961 we have had to eliminate the national contest feature of the program, under which the winners in the state contest received expense-paid trips to the national awards program, held each year from 1954 through 1960 in a different part of the country. This curtailment is due to the fact that at present we have no cosponsor of our national program. However, this aspect of OYF will be resumed when we again have a cosponsor at the national level."

Continuing his explanation, Mr. Nalley stated:



South Dakota's Outstanding Young Farmer, Ruben C. Scherle, stands by as his herd of Holstein steers is fed electronically from the silo in background

"The program has been one of the major projects of the U.S. Jaycees for the past eight years and has a good standing in the communities of the nation which this long service has built. Annually, about 750 communities participate in this program. In these communities the Jaycees solicit nominations from the public and select a judging panel which selects the community winner, who is then entered in the state contest. The state Jaycee organization conducts the state contest, the winner of which is, when our finances permit, entered in the national contest. At this awards program, the four Outstanding Young Farmers of the year are announced and honored."

Mr. Nalley added that the "impact

each and every state winner takes home to his area a great respect for the sponsors and what they are doing."

on the farm population is good, since

Jaycee has also had to make a cutback in the literature it provides for the guidance of OYF sponsors; however, local project kits containing information necessary for the conduct of the grass roots program are still available. Also, plaques for use on the local and state level are available for purchase.

South Dakota's OYF Statewide Program

THE Outstanding Young Farmer program in South Dakota has been operating on a statewide basis for four years and this year (July 1, 1961-July 1, 1962) the South Dakota Bankers Association has agreed to

(CONTINUED ON PAGE 124)

This department is edited by MARY B. LEACH of BANKING'S staff.

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(CONTINUED FROM PAGE 121)

be the co-sponsor. There are 39 Junior Chamber of Commerce chapters in South Dakota which fairly well blanket the state. The SDBA budget for this program totals \$1,140, if a national OYF contest is not held, or \$1,440 if such a contest is held next spring. In the absence of a national co-sponsor, the Jaycees do not anticipate that they will hold a national awards contest in 1962.

Ruben C. Scherle, Artas, S. D., was the 1960 OYF winner in South Dakota and he is credited with having one of the best livestock feeding units in the state, which includes three silos, all concrete feeding area, pole barns, 300-foot automatic feeding tube and bunks. In the past 11 years, Mr. Scherle has increased his net worth by 20,000%. He increased his wheat yields from four bushels to 20 bushels per acre; his corn, from 11 bushels per acre to 38 bushels; and his oats from 14 bushels to 40 bushels. His livestock has increased from nine cows to a herd of 350, and from two pigs to 24 hogs.

Farmers competing for SDBA's awards will have to present impressive records to better that of Mr. Scherle.

PR Results from OYF in North Carolina

CINCE the First Citizens Bank & Trust Company has completed two years of sponsorship of the Jaycees' OYF program in North Carolina it is in a better position, at this writing, than the South Dakota Bankers Association to assess its value as a public relations medium. Senior Vice-president L. L. Stephenson reports on the cost of the program with this comment:

"Our total cost last year was approximately \$1,400. This is a little high, but under the original plans set up by the United States Junior Chamber of Commerce, they did not provide for any consideration for the second and third place contestants. With this in mind, we provided for the first place winner to receive \$500; the second place winner, \$300; and the third place winner, \$100. As you can see this would leave approximately \$500 to pay for the necessary supplies, travel, postage, banquet, and other incidental expenses."



North Carolina's Outstanding Young Farmer, C. B. Pope, Jr., extends his hands as N. W. Pope, assistant vice-president, First Citizens Bank and Trust Company, Raleigh, N. C., presents a \$500 check to Mrs. C. B. Pope, Jr.

Mr. Stephenson added, "We look upon this as being a worthwhile project and it is our opinion that much of the value we have obtained in public relations has been due to the fact that the Junior Chamber of Commerce has a very fine local organization."

The First-Citizens OYF program is under the jurisdiction of Norwood W. Pope, assistant vice-president, based in Raleigh. Mr. Pope advises that "statewide publicity has been excellent. Both our bank and the state Jaycees sent out releases on several occasions and I would estimate that a total of some 300 individual stories were published in dailies and weeklies throughout the

Continuing, Mr. Pope stated that "First-Citizens has sponsored the program statewide for two consecutive years and while we have not determined if we will undertake the sponsorship again next year, indications at this point are that we will. It has proved to be a most effective public service and public relations vehicle."

The 1960 OYF winner in North Carolina was a 33-year-old Cedar Grove farmer, C. B. Pope, Jr. He was nominated by the Chapel Hill Jaycees.

Mr. Pope started farming as a tenant on his father-in-law's farm after returning from military service in 1948. Today he owns 145 acres and rents 825 more acres, which he uses for cattle, grain, and tobacco.

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Since he began farming 13 years ago, Mr. Pope has increased his fluecured tobacco yields from 1,600 to 2,100 pounds per acre; has increased his corn yields from 30 to 50 bushels per acre; and his small grain yields from 30 to 45 bushels. At the beginning, he had six cows and three sows. Now, he has 25 cows, 15 heifers, two purebred bulls, and feeds 75 market hogs annually.

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A.B.A. Agricultural Lending Agency Study Completed

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m R}^{
m ECOGNIZING}$ that bankers and others need to have a better understanding of the numerous lenders in agricultural credit, the Agricultural Committee of The American Bankers Association recently completed a study which provides detailed information on the subject.

Copies of the publication, entitled Agricultural Lending Agencies, will be mailed to all A.B.A. members early in October, according to John H. Crocker, chairman of the committee and chairman. Citizens National Bank, Decatur, Ill. Additional copies may be obtained from the Association's Department of Printing at 25 cents each.

The report provides information as to the historical background and current operations of all farm lenders

including commercial and savings banks, life insurance companies, individuals, savings and loan associations, credit unions, dealers, and Government sponsored agencies such as the Federal land banks, production credit associations, intermediate credit banks, and the Bank for Cooperatives which are under the supervision of the Farm Credit Administration. It also covers direct Government lenders such as the Farmers Home Administration, Commodity Credit Corporation, and the Rural Electrification Administration.

Some of the lenders, in addition to competing for farm loans, are in strong competition for loan funds. Other lenders perform specialized functions in connection with price support programs, or lend for rural electric and telephone lines.

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In the study, each agency is considered from the standpoint of organization, capitalization, lending function, tax status, and special benefits and privileges it receives from the Government. The activities of these organizations are evaluated in relation to their competition with banks.

The report notes, "data assembled by The American Bankers Association indicates that 92% of the 13,117 insured commercial banks report farm loans.

"While banks are far in the lead among institutional lenders in providing production and other short-term loans to farmers, the special needs of agriculture have led to governmental action to create several specific types of lending agencies.

"Financial needs of American agriculture are increasing at a rapid rate. In view of the competitive situation, bankers need to be better informed on the numerous sources for credit available to agriculture."

Edgar T. Savidge, A.B.A. deputy manager, is secretary of the Agricultural Committee.

Bank Names Ben Allen As Its Forest Service Officer

THE Peoples Bank and Trust Company of Rocky Mount, N. C., has announced the appointment of Ben Allen as forest service officer in the bank's farm department. For the past 12 years Mr. Allen has served with the North Carolina Forest Service and with Union Bag Camp Paper Corporation.

In making the announcement, President W. W. Shaw stated the bank feels "that there is an increasing need to give greater emphasis to the value of our forest resources in eastern North Carolina." He foresees that Mr. Allen "can be of great value to landowners in the area in the conservation of timber resources and in the marketing of their timber."

Mr. Allen is a native of Raleigh and a graduate of North Carolina State College, with a degree in forestry. He has taken special forestry courses at Duke and the University of Georgia.

"Safety on the Farm"

A RECENT cartoon booklet published by the Canadian Imperial Bank of Commerce is entitled Safety on the Farm. It is designed for distribution throughout the bank's nationwide branch system to farm customers. In a foreword to the publication, which is one in a series of cartoon-type promotion pieces on ways to improve Canadian farming, the bank states that it was prepared in the hope it may help to make farmers more safety conscious.



Next to personal contacts with customers and prospects, IMPACT is the most effective and inexpensive means of making hundreds of business-building calls regularly.

It reaches only those who have the best reasons to use and recommend your banking and trust services.

What better off-premises services can your bank render than to alert business and professional men to turning point statistics that confirm or pinpoint turns in business.

Tax information—new laws, tax court decisions, rulings and interpretations for income tax savings and estate planning—is probably more necessary now than ever before.

BUSINESS NEWS ASSOCIATES, INC.

149 Broadway, New York 6, N. Y.

FOR BUSINESS FACTS ABOUT

Canada...



Royal Bank manager gets close-up of construction industry at site of client's new building in Western Canada

When it comes to doing business with Canada, it pays to talk to the Royal Bank. Why? Because Canada is a big country; no two areas are exactly alike, each has its own character, its own business "atmosphere". Across the face of this wide country there are over 930 Royal Bank managers to serve you. Each man knows his own city, town, community . . . intimately. He himself "belongs" . . . because he works there. He can help your customers get in touch with the right people . . . wherever they wish to do business in Canada. For convenience, address inquiries to The Royal Bank of Canada, Head Office, Montreal.

THE ROYAL BANK OF CANADA

COLLECTIONS AND REMITTANCES

LETTERS OF CREDIT NEW TRADE CONNECTIONS
INTRODUCTIONS FACTORY SITES

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For a free copy of this booklet, write to The Royal Bank of Canada, Head Office, Montreal.

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BANKING NEWS

leaders from Professions and Government, Bankers, and Educators to Speak at Mid-Continent Trust Conference Reflects A.B.A. Staff

Speakers representing banking, the law, education, and government will appear before the 30th Mid-Continent Trust Conference of the Trust Division of The American Bankers Association, according to Robert R. Duncan, president of the division. The conference will be held at the Baker Hotel, Dallas, Nov. 9 and 10. Mr. Duncan is chairman of the board, Harvard Trust Company, Cambridge, Mass. The Dallas Clearing House Association will be host to the confer-

Thomas J. Moroney, vice-president and senior trust officer of Republic National Bank of Dallas, and William F. Worthington, vice-president and senior trust officer of First National Bank in Dallas, are co-chairmen of the General Arrangements Committee for the conference.

The advance program follows:

First Session

Thursday, November 9, 9:15 A.M.

Presiding, Gordon A. McLean, deputy manager and secretary of the Trust Division, The American Bankers Association, New York, N. Y. Invocation by Dr. Willis M. Tate. president, Southern Methodist University, Dallas. Remarks of welcome by Robert H. Stewart, III, president, Dallas Clearing House Association; president, First National Bank in Dallas.

"A Reading of the Trust Barometer" by Thomas H. Beacom, vice-president, Trust Division, A.B.A.; senior vice-president, The First National Bank of Chicago.

"Oil and Gas Conservation as a Matter of General Economic Interest" by the Honorable William J. Murray, Jr., chairman, Railroad Commission of Texas, Austin.

"The Economic Outlook" by Eugene C. Zorn, Jr., vice-president and economist, Republic National Bank of Dallas.

Second Session

Thursday, November 9, 2 P.M.

Presiding, William F. Worthington, co-chairman, Conference General Arrangements Committee; vice-president and senior trust officer. First National Bank in Dallas.

"What the Trust Officer Should Expect from the Trust Examiner" by William Matthews, special assistant. Board of Directors, and chairman, Subcommittee for Trust Departments Federal Deposit Insurance Corporation, Washington, D. C.

"The Relationship with Beneficiaries" by Joseph H. Wolfe, vice-president and trust officer, New England Merchants National Bank, Boston,

"Investing Trust Funds Today" by Ragnar D. Naess, Naess and Thomas, Investment Counsel, New York, N. Y.

Third Session

Friday, November 10, 9:15 A.M.

Presiding, Thomas J. Moroney, cochairman. Conference General Arrangements Committee: vice-president and senior trust officer. Republic National Bank of Dallas.

"What's New in the Corporate Trust Field?" by Ray F. Myers, vicepresident, Continental Illinois National Bank and Trust Company of Chicago.

"The Need of a Close Working Relationship Between the Commercial Department and the Trust Department" by C. E. Treman, Jr., president, Tompkins County Trust Company, Ithaca, N. Y.

"The Problems of Choice-Charitable Corporations versus Charitable Trusts" by Dr. J. W. Riehm, dean. School of Law, Southern Methodist University, Dallas.

Fourth Session

2 P.M.

Presiding, Raymond R. Todd, ad-

T. H. Beacom





New S.G.S.B. Assignments **Responsibility Transfers**

Fichtel, Howard, McLean, and Miller Are Given New Duties

Reflecting transfers of responsibility in the staff of The American Bankers Association, several changes in the staff of The Stonier Graduate School of Banking, conducted by the Association at Rutgers-The State University of New Jersey, were announced recently by Dr. Murray G. Lee. director of the school and

A.B.A. deputy manager.

George R. Amy, who had been for several years administrator for the Commercial Banking IV course, has been succeeded by Rudolph R. Fichtel, who had previously been administrator of the Savings Management course and also of the Banking and Government submajor in 1961. This change reflects the advancement of Mr. Amy to the post of chief administrative officer of The American Bankers Association. The discontinuing of the Savings Management major permitted Mr. Fichtel, who is an A.B.A. deputy manager and associate convention director, to take over as an administrator of Commercial Banking IV.

Deputy Manager Robert G. Howard, who has served as administrator for the Trust major at S.G.S.B., will take over as administrator of the Banking and Government submajor.

(CONTINUED ON PAGE 130)

ministrative council. Trust Section. Texas Bankers Association; vicepresident and trust officer, The Capital National Bank in Austin.

"Estate Planning Today" by René A. Wormser, attorney, Wormser, Koch, Kiely & Alessandroni, New York, N. Y.

"The Managing Agency" Charles M. Bliss, executive vice-president, The Bank of New York, New York, N. Y.

"The Life Underwriter and the Trust Officer" by Charles E. Gaines, C.L.U.; director, Institute of Insurance Marketing, Southern Methodist University, Dallas.

Paul E. Hoover Announces San Francisco Committees for A.B.A.'s Convention

General Committee Is Composed of Heads of All Bay Area Banks

Committees representing banks of the San Francisco Clearing House, host to the 87th annual convention of The American Bankers Association in San Francisco on October have been announced by Paul E. Hoover, president of the San Francisco Clearing House, president of Crocker-Anglo National Bank, and general chairman of the convention.

Besides Mr. Hoover, members of the General Convention Committee are:

Ransom M. Cook, president, Wells Fargo Bank American Trust Company, vice-chairman; Edwin E. Adams, president, The Bank of California N. A.; C. R. M. Allan, president, Bank of Montreal (San Francisco); Robert B. Arnold, president, The Canadian Bank of Commerce (Calif.); Francis S. Baer, chairman, United California Bank; S. Clark Beise, president, Bank of America N. T. & S. A.; W. W. Crocker, chairman, Crocker-Anglo National Bank; I. W. Hellman, chairman, Wells Fargo Bank American Trust Company: Earle H. LeMasters, president, Pacific National Bank of San Francisco: Elliott McAllister, chairman, The Bank of California N. A.; Mont E. McMillen, chairman, First Western Bank and Trust Company; Harold C. Peterson, president, The Hongkong and Shanghai Banking Corp. of California; Clarence Poon, president, Bank of Canton; Makoto Sasaki, president, The Sumitomo Bank of California: Jacob Shemano, chairman and president, Golden Gate National Bank; Tatsuichi Shibata, president, The Bank of Tokyo of California; Eliot J. Swan, president, Federal Reserve Bank of San Francisco; and Joseph O. Tobin, president, The Hibernia Bank.

Executive Committee

Frank M. Dana, executive vice-president, Bank of America N. T. & S. A., is chairman of the Executive Committee. Other members include Paul B. Kelly, first vice-president, Crocker-Anglo National Bank, vice-chairman; Russell W. Schumacher, executive manager, The San Francisco Clearing House Association, treasurer; George J. Greenwood, vice-president, The Bank of California N. A.; H. O. Johnson, senior vice-president, United California Bank; Ralph H. Rebele, executive vice-president,



Louis J. Asterita, deputy manager of The American Bankers Association and secretary of the Instalment Credit Committee, was interviewed by Faye Henle, syndicated columnist and financial expert, on her 45-minute "Dollars and Sense" radio program on station WOR, New York. "Dollars and Sense" is a personal money management program and Mr. Asterita was interviewed on consumer and instalment lending

Wells Fargo Bank American Trust Company; and Carl K. Schieck, senior vice-president, Pacific National Bank of San Francisco.

Other Major Committee Heads

The chairmen and vice-chairmen of the other major committees making plans for the convention are as follows:

ENTERTAINMENT: E. Herrick Low, senior vice-president, United California Bank, and Ferd R. Stent, vice-president, Crocker-Anglo National Bank.

HOUSING: John R. Breeden, vice-president, Wells Fargo Bank American Trust Company, and Walter F. Winrott, Jr., vice-president, Crocker-Anglo National Bank.

INFORMATION: Alfred J. Mayman, senior vice-president, The Bank of California N.A., and Donald Falconer, vice-president, Bank of America N.T. & S.A.

PERSONNEL: Charles F. MacLellan, vice-president, Pacific National Bank of San Francisco, and Lewis L. Bush, vice-president, Wells Fargo Bank American Trust Company.

REGISTRATION: Alvin F. Derre, vicepresident, Crocker-Anglo National Bank, and Ross Buell, vice-president, Wells Fargo Bank American Trust Company.

TRANSPORTATION: J. M. Fischer, vicepresident, Bank of America N.T. & S.A., and J. G. Updegraff, assistant vicepresident, First Western Bank and Trust Company.

LADIES: Mrs. Paul E. Hoover and Mrs. Edwin E. Adams.

"Pension Trends and the Self-Employed" Published by the Rutgers U. Press

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The trend toward pension plans for the self-employed—a proposal widely expected to receive the sanction of the U.S. Congress next year—is reviewed and analyzed in a book published by the Rutgers University Press.

Pension Trends and the Self-Employed, by Richmond M. Corbett, assistant trust officer, The Chicago Title and Trust Company, is the fourth book in the Rutgers Banking Series.

It is based on a thesis written by Mr. Corbett at The Stonier Graduate School of Banking conducted by The American Bankers Association.

The book traces the 10-year history of legislative proposals leading up to the 1961 version of the Keogh bill. This measure, introduced by Rep. Keogh of New York, was passed by the House this year and ordered reported by the Senate Finance Committee.

Among major topics covered by the book are the relationship of savings to investment and inflation, variations between insured and trustfunding methods of financing pensions, and the influence of social security on pension trends and savings for retirement.

The book may be purchased at \$4.50 from the Rutgers University Press, New Brunswick, N. J.

Graduates of National Trust School on Northwestern University Campus



Two hundred and twelve graduates of The American Bankers Association's second annual National Trust School are shown on commencement day on the Northwestern University campus. The school drew trustmen and trustwomen from 43 states and Japan

33 Head Offices and 89 **Branches Become 4th** Quarter A.B.A. Members

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Thirty-three head offices in 16 states and 89 branches of banks were received as new members by The American Bankers Association during the fourth quarter of the Association fiscal year ending August 31, according to a report by John B. Keeline, chairman of the A.B.A. Organization Committee. Mr. Keeline is president of the Central Trust and Savings Bank, Cherokee, Iowa.

Among the newly organized banks, these head offices become members:

ARIZONA: Bank of Scottsdale. Scottsdale.

CALIFORNIA: Mid-State Bank, Arroyo Grande; Continental Bank, Los Angeles; Ripon State Bank, Ripon; and Golden Gate National Bank, San Francisco.

FLORIDA: South Seminole Bank, Fern Park.

ILLINOIS: Valley National Bank, Aurora; Coles County National Bank, Charleston; National Bank of North Evanston, Evanston; Blackhawk State Bank, Milan; Southeastern National Bank, Moline; and First State Bank, Worth.

Iowa: Midway National Bank, Ce-

KANSAS: Centennial State Bank, Mission.



Harris C. Aller, left, president of the Class of 1961, The National Trust School, receives graduation certificate from Richard P. Chapman, chairman, Board of Regents of the N.T.S., and president, The New England Merchants National Bank of Boston. Mr. Aller is assistant trust officer, Fidelity-Philadelphia Trust Company

tana. Great Falls.

NEW MEXICO: Loving State Bank, Loving.

OHIO: Citizens Bank of Logan, Logan.

SOUTH CAROLINA: Southern Bank & Trust Company, Greenville, and First National Bank of Laurens, Lau-

TEXAS: First National Bank, Duncanville, and First State Bank, Wichita Falls.

WASHINGTON: Bank of Anacortes. and Northwestern Commercial Bank, Bellingham.

MONTANA: Central Bank of Mon- | 5th A.B.A. Southern Trust in Norfolk May 16-18, 1962

The Fifth Southern Trust Conference of The American Bankers Association, will be held in Norfolk, Va., May 16-18, 1962.

Hosts to the conference, which will be held in Norfolk's new Golden Triangle Motor Hotel, will be the Virginia Bankers Association and the Norfolk-Portsmouth Clearing House.

Edwin R. MacKethan, senior vicepresident and trust officer. National Bank of Commerce of Norfolk, will be general chairman.

Dr. H. Jerome Cranmer Joins A.B.A. As Secretary of Research Committee

Holds A.B. Degree from Drew U; M.A. and Ph.D. from Columbia

Dr. H. Jerome Cranmer, chairman of the Department of Economics at Drew University, Madison, N. J., has joined The American Bankers Association as secretary of its Research Committee, it was announced today by Charls E. Walker, executive vice-president of the Association.

In his work with the A.B.A., Dr. Cranmer will fill the post on the staff of the Department of Economics and Research at the New York headquarters which was vacated through the transfer of Dr. Carter Golembe to the Washington office of the Association.

Dr. Cranmer, a native of Morristown, N. J., was graduated cum laude from Drew University with an A.B. degree in 1947. He had previously attended Morris Junior College, and had served four years in the Army, being separated with the rank of captain.

He received both his M.A. and his Ph.D. from Columbia University. His doctoral research was concerned with New Jersey history of the early 1800s, centering around public and private projects such as the Morris, Delaware, and Raritan Canals. While at Columbia he worked under the direction of Dr. Carter Goodrich, professor in the Graduate Faculty, studying the role of government in economics development.

Memberships

Dr. Cranmer is a member of the American Economic History Association, the New Jersey Historical Society, the American Finance Association, and the American Statistical Association.

Dr. Cranmer is collaborating with Dr. Goodrich on a book to be published by the Columbia University Press.

> H. Jerome Cranmer



"Exercise Sky Shield" on October 14 May Cause A.B.A. 87th Convention Delegates to Reschedule Air Flights

The grounding of all commercial aircraft in the United States for 12 hours on October 14, the day prior to the opening of the 87th annual convention of The American Bankers Association in San Francisco, was the subject of a letter sent to all delegates registered for the convention by Melvin C. Miller, deputy manager and convention director of the A.B.A.

In his letter, Mr. Miller advised that the North American Air Defense Command has announced "Exercise Sky Shield" to take place on October 14 between 12 noon and 12 midnight E.S.T. and recommended that all who plan to travel by air to San Francisco on that date do two things:

The first public function of the convention will be the reception on Sunday afternoon, October 15, at 4:30 P.M.

"(1) Get in touch with the hotel

where you are registered and make

arrangements for arrival before or

after the period in which 'Exercise

"(2) If you have made your air-

line reservations, get in touch

with the airline immediately and

Sky Shield' will be held.

reschedule your flight."

By contacting the hotels where delegates will be housed, it was found that most of them can accommodate convention guests arriving early, providing sufficient advance notification is given.

New S.G.S.B. Assignments

(CONTINUED FROM PAGE 127)

This is a reflection of his transfer from the Trust Division to senior supervision over the Association's Public Relations, News Bureau, and Advertising Departments. He will also assume supervisory responsibilities with respect to Banking, A.B.A. journal, following the retirement of Senior Deputy Manager William R. Kuhns on February 1, 1962.

Dr. Gordon A. McLean, who on September 1 was transferred from the Department of Economics and Research to become deputy manager and secretary of the Trust Division, is the new administrator of the Trust major course. He will relinquish responsibilities previously held as administrator of the course in Economics of Banking and Business.

Economics of Banking and Business

Seymour H. Miller, of the A.B.A. Department of Economics and Research, who came to the Association in 1959 from the Federal Reserve Bank in San Francisco where he was an economist dealing with monetary, fiscal, and international economics, is the new administrator for Economics of Banking and Business. Dr. Miller, who also served with the U.S. Department of Commerce, the Bureau of the Census, and various other Federal wartime agencies,

holds a Ph.D. degree from Columbia University.

In a communication to students and graduates, Dr. Lee notes that Dr. Charls E. Walker, now executive vice-president of The American Bankers Association, lectured on the Economics of Banking and Business in 1959-60, when he was on leave from the Federal Reserve Bank in Dallas, serving as Assistant to the Secretary of the Treasury.

Hottendorf Urges Bankers to Guard Against Losses by Requiring Vacations, Audits

The number and amount of bank defalcations, countrywide, control basic rates for bankers blanket bonds, and losses sustained by individual banks adversely affect their premiums through application of the experience rating plan, George H. Hottendorf, deputy manager and director of the Insurance and Protective Committee of the A.B.A., told a bank operations workshop of the New Jersey Bankers Association in Haddonfield.

Mr. Hottendorf urged the bankers to require vacations for staff members, to improve audit procedure and other internal controls, and to protect their customers through excess fidelity insurance coverage.

Among 441 defalcations of \$10,000 or more in past five years, 36 were underinsured to extent of \$8.6-million.

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Feb. 5		Mid-Winter T	rust Conference, ria, New York	
Mar. 5		Annual Savings Roosevelt, N.Y	Conference, HoC.	
Mar. 26			Credit Confer- Hilton, Chicago	
May 13	3-16 2nd		gage Conference,	
May 16	3-18 Trus Co	t Division, 5th	Southern Trust Triangle Hotel,	
May 28- Jun		rican Institute nkler Plaza Hot	of Banking, The el, Atlanta, Ga.	
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Aug. 6		onal Trust Scho niv., Evanston, I	ol, Northwestern	
Sept. 23		88th Annual Convention, Atlantic City, N.J.		
Oct. 18		Western Region ce, Reno, Nev.	al Trust Confer-	

Oct. 21-23 8th Regional Mortgage Workshop

apolis, Minn.

Meeting, Hotel Leanington, Minne-

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May 16-18 Illinois, Palmer House, Chicago	May	13-15	Missouri, The Chase H	otel, St. Louis
	May	16-18	Illinois, Palmer House,	Chicago

New Jersey, Chalfonte-Haddon Hall,

Atlantic City

Myrtle Beach

May 17-19 South Carolina, Ocean Forest Hotel,

May 16-19

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	tel, Sloux Palis		Essex and Sussex Hotel, Spring	
May 20-22	California, Hotel Del Coronado, Coronado	Sept. 15-17	Lake, N.J. Massachusetts Mutual Savings, Hote	
May 20-23	Pennsylvania, Chalfonte-Haddon Hall,		Griswold, Groton, Conn.	
May 21-23	Atlantic City Arkansas, Arlington Hotel, Hot	Oct. 14-16	Connecticut Mutual Savings, Mountain View House, Whitefield, N.H.	
May 21-23	Springs Mississippi, Buena Vista Hotel, Biloxi	Oct. 21-24	Iowa, Hotel Fort Des Moines, Des Moines	
May 23-24	Indiana, French Lick-Sheraton, French Lick	Nov. 1-3	Arizona, Arizona Biltmore Hotel	
May 25-26	North Dakota, Plainsman Hotel, Williston			
May 31-	Massachusetts, The Equinox House,		Other Organizations	
June 2	June 2 Manchester, Vt.		National Association of Bank Women Sheraton Hotel, Rochester, N. Y.	
June 3-5 June 5-6	Minnesota, Hotel Leamington, Minne-	Oct. 9-12	Nat'l Ass'n of Supervisors of Stat Banks, The Dunes Hotel, Las Vega	
June 6-10	apolis Dist. of C. The Homestead, Hot Springs, Va.	Nov. 12-15	Robert Morris Associates 47th Annua Fall Conference, The Diplomat Ho tel and Country Club, Hollywood-By	
June 7-9	Connecticut, The Belmont, West Harwich, Mass.	Nov. 26-30	The-Sea, Fla. FPRA 46th Annual Convention, Amer	
June 7-9	New Mexico, Western Skies Hotel, Albuquerque	1962	icana Hotel, Bal Harbour, Fla.	
June 10-13	Idaho, The Lodge, Sun Valley	Apr. 2-4	NABAC Eastern Regional, Lord Balti	
June 14-16	Montana, Many Glacier Hotel, Glacier National Park	Apr. 16-18	more Hotel, Baltimore, Md. NABAC Northern Regional, Abrahar	
June 14-16	Vermont, The Equinox House, Man- chester	Apr. 30-	Lincoln Hotel, Springfield, Ill. Independent Bankers Association	
June 14-16	Virginia, The Homestead, Hot Springs	May 2	Pittsburgh Hilton Hotel, Pittsburg	
June 14-16	Wyoming, Jackson Lake Lodge, Moran	May 6-9	Nat'l Ass'n of Mutual Savings Bank Annual Conference, Olympic Hote Seattle, Wash.	
June 15-16	*New Hampshire, Wentworth-by-the- Sea, Portsmouth (New Castle)	May 7-9	NABAC Southern Regional, Arlingto	
June 15-16	*New Hampshire Mutual Savings, Wentworth-by-the-Sea, Portsmouth (New Castle)	May 27-30	Hotel, Hot Springs, Ark. NABAC Western Regional, Olympi Hotel, Seattle, Wash.	
June 15-16	Savings Banks Association of N.J., Monmouth Hotel, Spring Lake	June 20-23	American Industrial Bankers Association, 28th Institute of Industrial Banking, The Broadmoor, Colors Springs, Colo.	
June 18-20	Washington, Chinook Hotel, Yakima			
June 18-20	Wisconsin, Hotel Schroeder, Milwau- kee	Oct. 14-18	FPRA 47th Annual Convention, Cha	
June 21-23	Michigan, Grand Hotel, Mackinac Island *Joint Meeting	Oct. 22-24	fonte-Haddon Hall, Atlantic City NABAC National Convention, Americana Hotel, Bal Harbour, Fla.	

May 17-19 South Dakota, Sheraton-Cataract Ho-

tel, Sioux Falls

June 27-29 New York, The Monmouth Hotel, and

Essex and Sussex Hotel, Spring

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NEW...COMPACT

electric BRANDT AUTOMATIC CASHIER



Now, Brandt introduces another addition to its extensive and versatile line of Automatic Cashiers, the new space-saving Model 562. It is ready to help you solve your coin handling problems with these outstanding features:

- SPACE SAVING Designed for simplified operation and space economy, the Model 562 has only 19 keys to make payments from 1c to 99c, inclusive. Five additional keys deliver change in amounts of 5c, 10c, 25c, 50c and \$1.00. Size of the machine: length 9%"; width 9%"; height 10%". You will like the machine's clean, modern lines.
- ELECTRIC OPERATION Tellers will be pleased by the way this electrically-powered Brandt instantly responds to a light touch a real time and effort saver.
- VERSATILITY The Model 562 can be equipped with various types of coin delivery means as desired.

The Model 562 is another in the extensive line of Brandt Automatic Cashiers designed to serve you better.

Clip and mail the coupon for prompt demonstration.

BRA	NDT AL	TOMATIC	CASHIER	co., Wa	tertown	Wisconsin
Gentle	men:					
						electric space- or obligation.
Name		*************			***************************************	
Street		***************	*********			
City				Sto	ate	

BRANDT AUTOMATIC CASHIER CO.

Brandt® Cashier®

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why you sell
more bank
services when
you use

"FAMILY MONEY MANAGEMENT"

Whether for women's forums, opening a new building, in a personal call program or for just plain selling more of your bank's services, you can't beat the low-cost promotion, FAMILY MONEY MANAGEMENT. This much prized 32-page family finance booklet carries a 4-page cover that can be completely designed by your bank—even a title of your own choice. It's a full year promotion and will be referred to constantly, because it includes:

- Simplified forms for income and outgo records patterned after Tax Form 1040.
- Sections for listing family assets, computing net worth, setting future goals.
- Space for investment records purchases, sales dividends, interest, gains & losses, etc.
- Complete insurance policy records.
- Tax saving ideas, and latest income tax planning techniques.
- Newest Social Security benefit tables
 —and compelling reasons why a savings program is needed to supplement
 them.
- Basic principles of estate planning & wills—how your bank can help.
- Necessary advice on what family documents, papers & receipts to keep—and for how long—and which require safe deposit box protection.

This popular FAMILY MONEY MAN-AGEMENT promotion is available on an exclusive basis to one bank in each area. For attractive details, write to—

BUSINESS NEWS ASSOCIATES, INC.

149 Broadway

New York 6, N. Y

Mortgage Workshop Looks Ahead

ORE than 125 bankers from seven states gathered in Dallas for the Sixth Regional Mortgage Workshop of The American Bankers Association—the first such meeting to be held in the Southwest—from September 10 to 12.

A Look at the Future

A look into the future was presented at the opening session by Dr. Kurt F. Flexner, director of A.B.A.'s Mortgage Finance Committee. He predicted that the average American family in 1970 will "spend 50% more than it does today on housing, and there will be 11,000,000 more families at that time. In addition to this, housing demands will be affected by the increasing needs for urban redevelopment and slum clearance programs."

Dr. Flexner pointed out that, in our complex economy, it is impossible for the private market to cope with all the problems, many of which have a political and social significance. While the A.B.A. has recognized that a legitimate role exists for Federal and state governments in housing, it

also believes that every effort should be made to make the private housing and mortgage markets as effective as possible so that Government assistance can be employed where it is genuinely needed.

"It would be a great mistake," said Dr. Flexner, "to permit the existence of a poorly organized mortgage market to make Government intervention for ordinary purposes necessary." He cited three major obstacles that must be overcome if this problem is to be avoided:

(1) The existence of a poorly organized secondary mortgage market;

(2) Current laws and regulations that lead to serious discrimination among the various lending institutions so far as mortgage credit is concerned; and

(3) Tax laws which favor particular mortgage lending industries to the detriment of those who do not enjoy special tax privileges.

These obstacles, and the work being done by A.B.A. and others to overcome them, were discussed in some detail by Dr. Flexner. He con-

(CONTINUED ON PAGE 136)

THIS BOARD RESOLUTION IS DIFFERENT



Whereas the retirement of a Board Member or executive officer brings to a close years of association, be it resolved that the Board of Directors take understanding action and present to the retiring associate an engrossed, gold illuminated, leather bound, testimonial resolution as tangible evidence of their regard for his service.

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ARE YOU INTERESTED IN BUILDING BANK BUSINESS AT THE GRASS ROOTS LEVEL?

- reach young people in school now while life-time habits are being formed
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Custom made to your order . . . any body size from 73%" to 9" in width to fit any particular tray width or signature card size. Send for FREE samples plus complimentary transparent M.I.C.R. location template and latest catalog.

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Dividend Announcement

Massachusetts Investors

Trust
DECLARES ITS
148th Consecutive Dividend

Over 214,000 owners will share in the payments from quarterly net income, amounting to 9 cents a share, payable October 30 to shareholders of record September 29, 1961.

ROBERT W. LADD, Secretary

Secretary

200 Berkeley Street, Boston





(CONTINUED FROM PAGE 134) cluded that "the development of an effective secondary mortgage market, fundamental changes in archaic laws and regulations, and the closing of competitively detrimental tax shelters will enable the commercial banks to do as good a job in housing and mortgage finance as they have done historically in other areas."

Room for Cooperation

The relationship between the commercial banks and the mortgage banks received considerable attention throughout the conference. It was the subject of an address by William F. Keesler, senior vice-president of The First National Bank of Boston, at the opening session and was further discussed in the forum session at the end of the conference.

Mr. Keesler approached the subject by emphasizing how the commercial banker can get along with the mortgage banker, using his facilities and abilities for their mutual benefit. Speaking from experience he said, "We have supplied and presently furnish many millions of dollars for the use of mortgage bankers. This has been a good business for all concerned, and the credits have proven themselves to have been justified by the records-both as to the integrity of the mortgage bankers in handling their affairs, and by the compensating balances maintained through the escrow accounts which they handle in trust for investors."

The Answer to "Why?"

To the question, "Why should commercial banks finance homes?" a discerning answer was presented by Ben H. Wooten, chairman of the board of the First National Bank in Dallas. Starting with the premise that it is the "objective of commercial banks to lead the people of the nation in finance, thrift, and stability," Mr. Wooten went on to explain the implications of this objective.

He pointed out that the commercial bank should "not be afraid to take care of the needs" of the people in the community. The homeowner merits favor and confidence through assistance to him in a reasonable and ordinary fashion. "All too often," he added, "in order to get the financing of the project most precious to the American people, one must go to a competitor of commercial banking."

(CONTINUED ON PAGE 138)

ther and or are correlative conjunc--noun 1 One of two or more persons or thing eason of some natural relation or correspondence. Either of two correlative terms. — .LY adv. — .NESS noun. CORRESPONDENCE SCHOOL A school which gives its courses of instruction in a series of written lessons and assignments exchanged by mail between teachers and students. COR. RE. SPON! DENT (COT! -) noun 1 One who communicates by means of letters; specifically, a newspaper or magazine employee who dispatches news and special reports from a seat of war or other place of public interest. 2 A person, partnership, firm, or corporation that carries on business transactions with another at a distance through letters or telegrams. 2 Anything that corresponder a correlative 1 Having correspondence; correlated in nature adapted. 2 [Obs.] Obedient. _____ COR. RE. SPON! SIVE adj. COR RE SPOND / ING adj. 1 Correspondent; being similar ar similarly placed: With to. 2 Carrying on a correspondent followed by with See Synonymous COR RI DOR (COT' T dur or -dawr) noun 1 A wide gallery passage in a building, usually having various rooms op)e ing upon it. 2 A strip of land across a foreign country which a landlocked nation has access to the sea. [< F. orred curro, run]

RIE (cor'.i) noun [Scot.] A hollow or recess in the si

A hollow or recess in the si

Creation of a valley. [< Gael. corrach, steep

A province of the NF Argentin rors emtakes 18, to

Sometimes even the dictionary can be incomplete!

As a correspondent of Pittsburgh National Bank, you receive a number of very useful services and benefits beyond any dictionary definition.

You enlist the services of an experienced staff, who serve the entire Tri-State area and know the Pittsburgh area market—the eighth largest in the country.

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And, you establish a connection with a bank having offices dotting the Greater Pittsburgh market. A bank with resources of almost a billion dollars. A bank that numbers many of the country's largest corporations among its customers.

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When it comes to selling a sizable block of stock

You would probably prefer a minimum of publicity so that news of the offering won't depress the price of the stock, and the transaction can be completed as fast and efficiently as possible.

Many people with sizable holdings are apt to have some familiarity with the established techniques, especially the Secondary Distribution and the Special Offering, but they are not likely to know much about the technique that often is the most efficient. That's the Exchange Distribution, which we find can frequently be used to sell a large block of stock at less cost and with greater net return to the seller.

If you would like to know more about the Exchange Distributionor the Secondary or Special, for that matter—we will be glad to send you our new 16-page study "How To Sell a Sizable Block of Stock."

You'll find it contains information about each of the methods for handling large blocks to help you decide which is the right technique for you.

What's more, you'll find fourteen typical examples of Secondaries and Exchanges handled by this firm during 1960. Examples showing number of shares, price, and gross spreads in dollars that we think you might find surprisingly attractive.

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The World Wide Coin Saver Club has caught on! Those who have seen the big Coin Saver Club Kit, which is given to new savers, and the over 70 savings institutions now featuring the Club Program, are in full agreement!

Enthusiasm is kept high because of the new and different coins from every corner of the earth that are acquired as the Club savings plateaus are reached. This continuing incentive has brought Club accounts to balances of as high as \$1,000 and more.

Even more important is the market that is being captured by users-for this is the difficult-to-get pre-teen and teen age group. Of equal importance to World Wide Coin Saver Club users are the parents and grandparents who are also participating in the Program. Thus it can be said that it is genuinely a "family" savings plan.

Sincerely, THE HOUSE OF STRAUS, INC.

1 Henry Strauss J. Bernard Strauss, President

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ALLIED ASSOCIATES

110 Cummington St. Boston 15, Mass.

(CONTINUED FROM PAGE 136)

He reminded the bankers that "it is impossible to build a national reputation unless one is first built with the home folks through helpful service of which the financing of the home is one of the greatest." The role of leadership requires the establishment of a national reputation and this can only be achieved by appropriate action based on firm conviction. "There is no use to talk willingness to make home mortgages unless we really believe in their desirability as investments in our loan portfolios."

Conflicting Views

The final session of the conference was a forum where conflicting views on bank participation in mortgage lending were presented by two mortgage bankers and a commercial banker. The participants included Howard J. Stoddard, president of the Michigan National Bank of Lansing; Aubrey M. Costa, president of the Southern Trust and Mortgage Company of Dallas; and Walter C. Nelson, president of Eberhardt Company of Minneapolis.

The mortgage bankers felt that, as specialists in the field, they were better prepared to provide the services that are required. At the same time, they welcomed the increased activity of commercial banks in mortgage lending. "There are certain areas that are probably best served, mortgagewise, by commercial banks," admitted Mr. Nelson. However, he emphasized that commercial banks should not overlook the opportunities to do business with mortgage banking firms.

The role of the specialist was further defined by Mr. Costa who described the factors of origination, investor contracts, and servicing. The time, experience, and knowledge required to operate a mortgage banking business successfully are not always available to the commercial

bank, he suggested.

In rebuttal, Mr. Stoddard listed the reasons why commercial banks should make and service residential mortgages. "The homeowner is now our basic customer. His financial needs should be met by commercial banks. We should not solicit his checking and savings accounts without offering his required loan facilities, especially the financing of his home."

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Pert-'n-pretty MISS BETTY JEAN SHULTZ makes it pleasant to use the drive-in window at the Peoples Bank and Trust Company, Cedar Rapids, Iowa. A part-time model, Betty Jean enjoys swimming, skiing, and coin collecting.



Personable MRS. JOYCE ROSS charms drive-in customers at The Citizens National Bank, Tunkhannock, Pennsylvania. A working mother, she still finds time to enjoy her hobbies, which include art, dress designing, roller skating, and dancing.



Well-groomed MISS CAROL THOMMEN of the First National Bank, Aberdeen, South Dakota, would like to add the "Miss Drive-In" title to her "Miss Aberdeen" laurels. In her leisure time Carol likes to sketch and ice skate.

"We're looking forward to seeing you in San Francisco."

"We're the three finalists in Mosler's 1961 Miss Drive-In Contest. We hope to see you at the ABA Convention in San Francisco, October 15-18. Stop in and meet us at The Mosler Safe Company exhibit at booths 604-606."

Help select "Miss Drive-in 1961" When you receive your ballot by mail, make your selection and mail it to The Mosler Safe Co. The winner will receive an all-expense-paid trip to the romantic Caribbean—a week in San Juan, Puerto Rico, and a week in Aruba, Dutch West Indies—plus a cash award.

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Know What's Wrong

with Your Bank

Here is a how-to-do-it kit for self-examination, diagnosis, and treatment which has been approved by the Bank Management Committee of the A.B.A.

R. A. BEZOIER

RVERYBODY learns through mistakes. Of course, all that some people learn is that they've made a mistake. Others see why they made it and learn to avoid the same error in the future. Still others profit from the mistakes of someone else, thus achieving personal gain without any personal loss.

But the best way to learn is by anticipating the problem and preparing a solution before trouble strikes. This kind of self-teaching isn't as hard as it may appear at first blush. Essentially it consists of nothing more than getting the answers to the questions that would be asked if something were to go wrong.

Obviously, a bank can't count on bank examiners or auditors to play the role of teacher. Their time is too limited, their responsibilities too restricted, and all too often their questions are raised as a result of trouble rather than in anticipation of it.

If it's to be done at all, the job usually falls to one of the senior officers. Unfortunately, it is not done at all in many banks—and not done particularly well in others. Perhaps it is because the responsible officer hasn't the proper tools for doing the job, or the time to develop such tools.

It was the purpose of our subcommittee, working under the Bank Management Committee to develop a device that bank management could use for self-appraisal. More specifically, we developed a check-list for carrying on a general, over-all re-

view of many matters, some of which frequently receive little or no attention in entirely too many banks.

To get the most from this checklist there are two main requisites. One is complete objectivity and honesty in answering the questions. That means putting down the facts as they are—not the impressions that seem to prevail.

The second requisite is to take steps to eliminate or correct the problems that are found. Unless the bank seriously intends to follow the survey with corrective action, there is not much advantage in making an overall evaluation of its principal policies, The author is chairman of the Committee on Bank Self Appraisal, A.B.A. Bank Management Committee, and is president of The First National Bank of Rochester, Minnesota.

practices, and methods. The following check-list for self-appraisal is in outline form and only covers some of the more important essentials. Most banks will want to expand it in one or more directions to fit their own circumstances. However, this will help them to get started and will remind them of areas that might otherwise be overlooked.

A Check-List for Self-Appraisal

(1) Earnings

- ☐ Is a timely and systematic consideration given to loan interest rates?
- ☐ Is the bond account handled by trained and experienced personnel?
- ☐ Is close attention given to keeping every available dollar invested?
- Are realistic charges being made for checking account service, safe deposit boxes, trust department services, and all the other services which many banks traditionally provide at too low prices?
- When did you last review these charges?
- Have you had the benefit of a cost analysis?
 - Are periodical comparisons

made with appropriate statistical data?

(2) Expenses

- Are medium and large items reviewed monthly?
- ☐ Is there a periodical review of certain items which easily get out of hand, such as dues, subscriptions, travel, entertainment, advertising, donations, and miscellaneous?
- Are periodical comparisons made with appropriate statistical data? (Operation ratios available at FRB or FDIC.)

(3) Credit Policy

☐ Is it too strict? Afraid of examiners' criticisms? Opposed to taking

A Sample Balance Sheet Example of a Situation Requiring Correction Assets (strengths) Liabilities (weaknesses) Assets sound-few criticized loans Antiquated checking account service Best accounts in town Credit policy too restrictive Too much emphasis on large accounts Expenses moderate and earnings Staff not active enough in commuquite satisfactory nity affairs Weak public relations efforts Reputation for strength Old fashioned methods Auditing system inadequate Oldest bank in area Quarters out-dated Inadequate staff benefits No young officers Directors well regarded

"Play the game" of answering the questions and making your own "balance sheet"

Next, take the necessary action and you is bound to be an improvemen	have applied the "treatment." The result t in the "health" of your bank	as a reward for certain accomplish- ments such as no absences for a certain period?
something less than first rate credits? Is it too liberal? Incomplete	(5) Public Relations and Business Development	☐ Are there adequate communica- tions? ☐ Are reports of earnings, bank
analysis or just plain loose lending? Too eager to combat competition by lowering standards too far? Is it too demanding? Requiring more than is prudently necessary? Is it too limited in scope, i.e., not fully helpful to customer requiring advice and guidance? Is insufficient consideration given at the time of a loan rejection? Is there a lack of ability or desire to suggest ways to improve a loan application? Is there inadequate knowledge	☐ Are staff members active in all major and many minor community organizations? ☐ Does the bank do its share in supporting worthy community organizations? ☐ Do directors, officers, and other staff members have the respect of the community? ☐ Is a systematic and effective officer-call program directed by a competent senior officer? ☐ Is advertising well handled and frequently reviewed?	policies, and bank projects made to the staff periodically? Are efforts made to cultivate a feeling of "belonging"? Are memberships provided in appropriate organizations? How about such things as a Christmas party, summer picnics and breakfast meetings? Are there lounge and kitcher facilities? Is banking education offered? Is assistance offered when needed?
in such areas as term loans, consum- er credit methods, accounts receiv-	Is entertainment really effective?	Are suggestions invited?
able financing, life insurance loans, financial statement analysis? Is there an inability to recognize a deteriorating situation early enough to take proper steps to correct or eliminate?	☐ Are there special services such as women's forums or a community room or industrial, commercial, and art exhibits?	(9) Officers Is there too much emphasis or seniority? Is there too much emphasis or other weak factors, e.g., family connections?
☐ Is there a tendency to let a bad situation drift instead of taking action to overcome?	(6) Operations and Personnel ☐ Are the methods modern? ☐ Is there adequate mechanization?	☐ Are too many employees too young and inexperienced? ☐ Are too many of them too old? ☐ Are there any with a "40-hour
(4) Clientele	Are the auditing procedures	week" attitude?
Where are you weak and where are you strong: Large local concerns? Small local concerns? National or regional organizations? Farmers? Large individual accounts? Small individual accounts? Young persons' accounts? Community organizations' accounts?	adequate? Is there too much "unused capacity"? Is there too much overtime? Is there too much "undertime"? Are the salaries adequate to obtain and keep capable employees? Are there any square pegs in round holes? Have plans for executive succession been overlooked? Is the training program ade-	☐ Is there an inclination to continue banking and business training? ☐ Do they live within their income? ☐ Do they maintain first rate credit standing in the community? ☐ Is there sufficient "depth" to protect the bank? ☐ Are daily meetings held? (10) Directors ☐ Are there too few? Too many?
Public funds?	quate?	(CONTINUED ON PAGE 144)
140		Th A MIRE SMICE

(7) Building and Facilities

Are they well located?

dow? Sidewalk window?

rooms?

customers?

ants adequate?

Are they modern and adequate? Are they attractive and efficient?

How about the drive-in and/or

Are there sufficient private

☐ Is there adequate room for

Is the rental income from ten-

Does the bank provide pension, profit-sharing, group insurance, and

☐ Is a day off occasionally given

(8) Staff Benefits and Relations

major medical insurance?

parking lot? Parking lot teller win-



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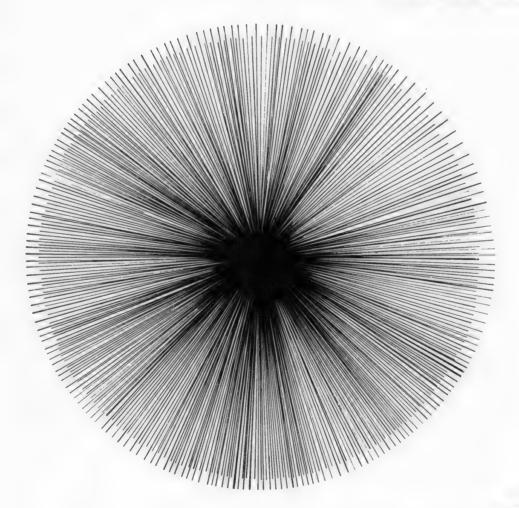
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The sun produces energy through nuclear fusion—a gigantic hydrogen explosion that has been going on for more than 500 million years. We may duplicate it. Scientists at Princeton University are experimenting with a *Stellerator* to attain controlled nuclear fusion that will produce endless energy from the hydrogen in sea water. The Stellerator is supported by 17 USS Quality Forgings that could be made from only one material—a new, non-magnetic Stainless Steel called Tenelon, developed by United States Steel.

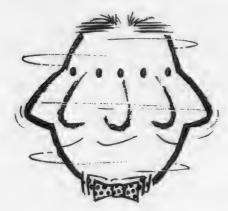
Although the Stellerator is strictly experimental, there would be no nuclear programs of any type without steel. The very heart of an atomic generating plant—the reactor vessel—must be steel, whether it's the power plant of a nuclear submarine or a commercial generating station. In addition to the reactor, the power station literally bristles with tons of special steels developed in the laboratories and produced in the mills of United States Steel. If nuclear power is the door to America's future, the key is steel. America grows with steel.

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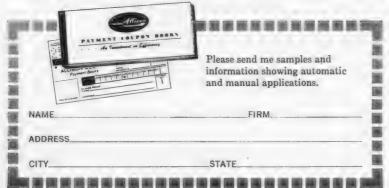
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Your Bank

(CONTINUED FROM PAGE 142)

- ☐ Are they too old? Too inactive? ☐ Are they unproductive and disinterested?
- ☐ How about their community reputation?
- ☐ Is their knowledge and experience available to discount and trust committees?
- Do they have diversified occupations?
- Do they have diversified abilities?
 - ☐ Is it a well-balanced board?
 ☐ Is a proper fee paid by the bank?

(11) Competitors

Have their weaknesses and strengths been analyzed in order to take proper and intelligent action?

(12) Analysis

☐ As a basis for analysis has the bank made up a "balance sheet" of strong and weak points?

Shortcomings and weaknesses should be eliminated or reduced and advantages and strengths should be emphasized and enlarged.

Any bank can benefit by a thorough review of the foregoing questions. Honest answers to these questions followed by action may be the means of getting out of some comfortable ruts which all banks inevitably find themselves in from time to time.



"We better stop in here. My tank is almost empty!"



The Fire The City Authorized

The City Treasurer in charge said that he didn't mind when it happened, but he did require a precise record showing that it had happened.

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"Authorize the fire," our agent assured him, "and we'll see to it that what goes up in smoke will be not only cancelled bonds and coupons, but a multitude of unnecessary costs and problems."

To a chance listener on the long distance wire, this might have been a startling fragment of talk. The whole conversation, however, would have fascinated any banker who handles state and municipal obligations.

For they were talking about a new plan worked out by Bankers Trust. It's our answer to the unwieldy and expensive practice of making three complete audits and verifications on municipal

bonds and coupons: one by the New York agent, one by the local depository bank, and a third by the municipality.

Details of this new plan are fully covered in our booklet, Accounting and Cremation Procedure for the Obligations of States and Municipalities. Its simple concept of direct accounting to the municipality is winning a lot of favorable attention. Those who have tried it find it both practical and economical—flexible, too, because it's easily adaptable to particular situations.

You may have a copy of this booklet,

just for the asking. It's illustrated with examples that show how you can offer better service to public officials and, of course, produce more profits for your bank, if you handle such matters for your local municipalities. As a matter of fact, what seems to be a radical departure from ordinary custom is essentially the same as the straightforward procedures followed by business corporations. But as far as we know, applying the idea to municipals is a completely fresh approach. Happily, the plan is now in print and in practice, and we believe you'll find it valuable reading.

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Deposit Insurance

(CONTINUED FROM PAGE 67)

the regulations governing payments to insured creditors. Liquidation under pressure brought smaller recoveries than otherwise; the more so as it tended to affect adversely the already depressed values. Michigan's system was especially unfortunate. It started just when the nation was on the verge of a deep and long depression. In Ohio and Iowa, on the other hand, bank insurance was started under favorable cyclical conditions.

The quality of bank supervision was another vital element in the pre-Civil War systems. Each of the six systems provided for supervision. Some of the basic principles of bank supervision today were embodied in those early laws.

An Important Lesson

One of the important lessons taught by the experience of the six states, according to authors Golembe and Warburton, was the need for an insurance fund sufficient, either by itself or combined with a borrowing power that can be quickly exercised, to make the necessary payments promptly after a bank failure. In each of the three state systems which had an insurance fund, the latter proved too small.

Another important lesson of the 1829-1866 experience was taught in five of the six states: assessments tended to be larger in times of crisis and depression than in times of good business. This led to difficulties which interrupted the course of insurance operations. On this point the two authors commented:

"It is clear from the experience of these early states that it is unwise to have insurance assessments so arranged that the amounts paid become relatively more burdensome during depression years; yet this is exactly what is proposed in some quarters today for Federal deposit insurance. That is, proposals that deposit insurance assessments should be repaid to the banks in years during which insurance losses and expenses are low are equivalent to advocating that full assessments should be paid only when insurance losses are high. Losses will almost certainly be high only during depression periods."

The experience of Indiana, Ohio, (CONTINUED ON PAGE 148)

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TIMELY EVENTS

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(CONTINUED FROM PAGE 146) and Iowa also revealed the importance of mutual responsibility. Each of the participating banks was represented on the supervising boards. In Federal insurance today this is impossible; but FDIC works closely with banking organizations and with other bank supervisory authorities. The record of 1829-1866 suggests that this is an entirely appropriate policy.

More Recent Systems

After the panic of 1907, eight states operated deposit insurance systems during all or part of the years 1908-1930. The eight states and the periods of operation of their deposit insurance systems were:

Oklahoma (1908-1923)
Kansas (1909-1929)
Texas (1910-1927)
Nebraska (1911-1930)
Mississippi (1914-1930)
South Dakota (1916-1927)
North Dakota (1917-1929)
Washington (1917-1921)

In Oklahoma the law was enacted at the end of 1907, but did not become effective until 1908. In some cases the ending of the system occurred in stages.

All of them were considered successful up to the business recession of 1920-21, Dr. Warburton reports, although Oklahoma's system encountered difficulties during its early years. Some of the systems became insolvent because of bank failures in 1920-21 while others were weakened by the failures of those years and failed to survive the continuing depression in the agricultural areas where they operated. By the end of 1927 the laws had been repealed in four of the states, while in the remaining four the systems had become unable to meet the claims of depositors in failed banks.

Also operating against the success of the deposit insurance systems in these states was the existence of national banks. In the beginning, state deposit insurance seemed to give the state banks an advantage. However, when difficulties developed, the larger and best managed state banks tended to take out national charters, or threatened to do so, making it impossible to provide or retain assessment rates high enough to cover the losses in failed banks.

Other circumstances also contrib-(CONTINUED ON PAGE 150)

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(CONTINUED FROM PAGE 148) uted to the breakdown of state deposit insurance in the eight states. Prominent as a factor was bank mismanagement. In four of the systems the largest bank insured was among the failures. Many of the smaller banks which failed also were found to have been mismanaged.

Associated with this was inadequate supervision. Dr. Warburton noted:

"In the course of study of these systems, no evidence has turned up that deposit insurance, per se, tends to foster mismanagement, although it appears evident that badly managed banks may survive longer and for a time have more of a mushroom expansion under a system of deposit insurance than without it.

"However that may be, it is clear that one of the great lessons of the experience of the eight states is that any deposit insurance system may be gravely threatened by the mismanagement of one, or a very small number, of the largest banks in the system. Thoroughgoing periodic examination of such banks in order to detect mismanagement tendencies before they have carried a bank into insolvency is essential to the success of any deposit insurance system. The experience of the eight states also highlights the necessity for a substantial reserve fund. . . . Only one system of the eight, that of Texas, had both a revolving fund and a premium rate sufficient to meet the needs, but even in this case the fund became insolvent when most of the banks had withdrawn and only a few were left in the system."

Impetus for FDIC

It was the great number of bank failures in the 1920s and early 1930s, culminating in the banking holiday of 1933, which provided the impetus for the enactment of Federal deposit insurance. Indeed, the very series of events which put the last of the state systems out of operation was the chief factor in bringing nationwide deposit insurance into being. The structure of the Federal deposit insurance system, as it is held in the FDIC, is now such as to avoid problems of the state systems mentioned above

Experience with the eight state systems as well as the earlier six led the FDIC economists to conclude that for success deposit insurance must operate "in an institutional

(CONTINUED ON PAGE 152)



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Help the Blind

(CONTINUED FROM PAGE 150)

framework providing wise and effective monetary policy." This means. they explain, that, where there is population growth and increased productivity, a reasonable growth in the circulating medium is essential to continued prosperity.

Dr. Warburton believes that central bank policy is crucial to the success of deposit insurance: that we have better central banking today than in the 1920s and early 1930s. including a more stable policy that assures us of an adequate money supply. Moreover, he holds, bank supervision also has greatly improved. In the eight states which tried deposit insurance prior to 1930 supervision was inadequate, in large part because of insufficient funds and inadequate personnel for careful examinations, plus political pressures.

Better Supervision

The advent of the FDIC has strengthened the examining process and bolstered the quality of bank supervision on the part of all the supervisory agencies. More careful examination has provided better appraisal of bank assets and bank management. It spots trouble earlier.

The early state programs for insuring bank obligations had as their main purpose the protecting of circulating bank notes. With the advent of the national bank note, a Federal obligation, state plans came to a halt. Later, with the development of deposit banking, came the interest in deposit insurance.

Today the FDIC protects bank depositors not only to the extent of the maximum amount specified in the law, but in many cases, as Dr. Golembe points out, regardless of amount. The Corporation may lend to, or buy assets from, a distressed bank when doing so will reduce the risk or avert a threatened loss to the Corporation; and it will facilitate the merger of a distressed bank with a sound insured bank.

Together, the Federal Reserve and the FDIC guard against erratic fluctuation of the money supply. "In each case over a century of debate and experiment was required before these instruments were devised and accepted, and it is no coincidence that a serious attempt was made to establish both a central bank and deposit insurance in the same act in 1913," Dr. Golembe observes.

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George McLean, publisher of the Tupelo, Miss., Daily Journal are worth remembering:

"In the 13 years from 1948 through 1960 we have spent more than a quarter of a million dollars in industrial development trying to increase the employment of our people. We have floated bonds for over \$2,-500,000 under Mississippi's balanceagriculture-with-industry plan. We have invested more than a quarter million dollars in rural development and general community development. In addition, we have bought stock and debentures to help local enterprises. Nearly \$4,000,000 has been invested by local people in these enterprises.

"It is our basic conviction that there are no depressed areas—only depressed people. I do not believe that the areas are depressed but rather that the people have too long relied on outside corporations.

"We say to our people that there is not a Santa Claus. There is no Santa Claus at Washington, at the state capital, at the state college, or the local county seat, who can hand the good life to them. The people who live in the community and love it must assume their own responsibilities and take advantage of their Godgiven opportunities."

A banker and former Treasury official, Paul I. Wren, executive vicepresident, Old Colony Trust Company, Boston, recently expressed a slightly different word of warning:

"Another consideration in the spending programs is the increasing intrusion of the Federal Government into the affairs of the state and local governments. Looking to Uncle Sam for the solution of problems of urban renewal, water pollution, mass transportation, urban and interurban highways, inadequate teaching facilities, underpaid teachers, and many others necessarily brings more control by the bureaus in Washington. The trend is accelerating partly because of the long-term belief that grants from the Federal Government come from the pockets of taxpayers other than the recipient, and partly because of the lack of new sources of taxes for the local governments. The latter problem has been intensified by the gradual encroachment of the tax programs of the Federal Govern-



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This interstate urban project is the Providence, R.I., River Crossing—Providence from Brook Street to South Water Street. This crossing is part of Interstate Route 95E which extends to the Massachusetts state line. Length 0.374 miles

ment. Some communities are not able to finance large expensive projects from their own credit and need the assistance of the Federal Government. Will the Sixties see a reversal of this trend? Will the strain on municipal credit in the Sixties be so great as to worry some of the bondholders?"

Some of this same philosophy applies to our policies toward underdeveloped foreign areas. History provides no example of countries which developed because of gifts or soft loans from some foreign benefactor. Development comes from the people of an area. The physical resources of many underdeveloped regions are often superior to those of advanced countries.

A New Role for Bankers

An inventor, scientist, and business pioneer of reknown—Kettering of General Motors—often advised young people to be on the lookout for a whole new world of opportunities as a result of the coming transportation revolution, then barely started.

The era he foresaw is no longer coming. It is here and now in our midst, or we are in the midst of it.

Decentralization of living, working, shopping, coupled with centralization in the form of super-cities—

no matter how we look at it, the thing we are witnessing from day to day is history's most breath-taking economic acceleration.

But Kettering's greatest significance in this story was as an example of a new kind of men. He was a forerunner of today's technically trained business leader, described so well at a meeting of Pennsylvania bankers by Leonard Pool, founder of Air Products, Allentown, Pa.:

"The inevitable consequence of the vast research effort now being made will be the creation of many new products and processes, which today cannot be visualized.

"The increasing demand for individuals with combined training in science and business points up the growing influence of technology on business. All over the country the business school graduate with technical training is much more sought after than any of his classmates. The time is very near when every business school student must obtain some exposure to the basic sciences, if he is to be competitive with others.

"As new companies are formed, based on the creative energies of our engineers and scientists, it is likely that many of the smaller concerns in particular, will be located outside large metropolitan areas. Many

forces are pointing in this direction. National security, improved transportation facilities—particularly rapid air transport, the convenience of good communications, and the desirability of living outside of crowded urban centers—all promote a dispersion of industry. The location of companies yet to be born, in smaller communities, will offer a challenge to the banks located in these areas.

"Every banker takes for granted the necessity for employing competent legal counsel and expert accountants. Oftentimes the outstanding physicians in the community are on the board of directors. How often does the commercial banker, particularly outside of the metropolitan areas, deliberately set out to strengthen his institution by having an association with technical minds? How many boards of directors of banks, in smaller communities particularly, have a representative from the scientific community? How frequently do commercial banks cultivate the faculties in our universities with the view of employing their advice from time to time when situations with technical aspects arise?

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"There are in many communities outstanding engineers and scientists who would be desirable members of boards of directors. Such individuals could be a useful link between the scientific community and the banking profession. I repeat, the opportunities for banks in smaller communities to increase their technical background are all about them. The resourceful, imaginative banker can take advantage of this."

Thus the 3-in-1 economic revolution is creating opportunities and problems which bankers are thinking about or should be.

Schools for bankers have been mushrooming all over the country and the educational urge is spreading abroad, but the curricula all too seldom reflect the practical aspects of the world we are living in or about to enter

There are exceptions, but how many schools require or provide opportunities for students to visit industrial plants or public works in connection with their study of texts written some years ago? There is some permanence about the broad principles of money and banking but there is no permanence about the condition under which banks will operate.



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(CONTINUED FROM PAGE 72)

the banking agencies will take the best services of a "Philadelphia law-yer." Thus, the Dillon letter to Attorney General Kennedy as quoted above, looks toward a court decision settling the pending issue. But Secretary Dillon did not specify what court. Whatever the Philadelphia court rules may be appealed to higher courts.

Meanwhile, in early September the Federal Reserve Board approved the merger of the Manufacturers Trust Company and The Hanover Bank of New York, which had been approved in June by the New York State Banking Board.

But, as in the Chicago case, the Justice Department requested a temporary restraining order to block the union on the grounds that it would lessen competition substantially and that it might create a monopoly in violation of the antitrust laws. This motion for a restraining order, however, was soon withdrawn by the Justice Department with the understanding that the case would be tried before the end of the year. Since the

two banks will have been united quite a while before the trial, it is expected that the Government will have a hard time proving divestiture will not bring about undue hardship.

Fed for New York Merger

In contrast to the Justice Department's stand, the Federal Reserve Board is of the opinion that the merger would tend to stimulate competition without significantly affecting the number or competitive strength of alternative sources of banking services, since Hanover deals primarily with large corporate customers and Manufacturers concentrates on small depositors and borrowers.

This union would create a \$6-billion bank, New York City's third largest and the country's and the world's fourth largest.

Some Senators Displeased

Some influential Senators have exhibited displeasure with the Justice Department's persistence in seeking to override the judgment of the bank supervisory agencies on mergers. Last month and previously BANKING reported on the views of Senator A. Willis Robertson of Virginia, present chairman of the Banking and Currency Committee. Another Senator who has not been pleased by this year's merger developments in Washington is J. W. Fulbright of Arkansas, former chairman of the banking committee.

Following the disclosure of the above-mentioned letter from Attorney General Kennedy to Secretary Dillon, Senator Fulbright wrote both Cabinet members. Why, he wanted to know, since the Congress in the Bank Merger Act had left the final word on mergers to the three Federal banking agencies, should they now be deferring to the Justice Department? He thought the merger moratorium was in conflict with the law.

In another more recent effort to block the Chicago merger, the Department of Justice in mid-September filed an amendment to the pending suit in the Federal District Court asking that the Continental Illinois National Bank and Trust Company be forced to divest itself of ownership of all properties acquired through the merger with the City National Bank and Trust Company.— Ed.

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An Interview with Roosa

(CONTINUED FROM PAGE 50)

the world's major currencies, have created the conditions for a U.S. "rediscovery" of the usefulness of exchange operations as a tool for protecting and defending the dollar. While we have much to build upon from the "Leffingwell operations" of World War I, and other currency op-

erations of the 1920s and 1930s, the long period of exchange controls by other countries from the late '30s until the late '50s put a blight on the foreign exchange markets.

One of the clearest instances of the changes that have now come about occurred last March when the foreign exchange markets were disturbed, particularly by two currency revaluations and rumors of other possibilities. Under these conditions the dollar-already reflecting the force of large balance of payments deficits over the preceding three years and gold losses of over \$5-billion (nearly one-quarter of our reserves) --- was subject to reinforced speculative attack and was, in market terms, "on the floor" against a number of foreign currencies. In the forward market, the dollar traded at rather substantial discounts against a number of currencies. In these circumstances we undertook operations which for the most part involved dealings in German marks and were conducted with the closest cooperation between the two countries. Of even greater immediate significance for the world currency system were the operations recently carried out by other leading countries in aiding the pound sterling, most importantly the steps taken by the central banks of Europe in lending back to the United Kingdom some of the funds which it had lost.

In the past few months, the market for the dollar has taken on a clearly improved tone; the dollar has strengthened, as reflected in its higher value on the exchanges and substantial reductions in forward discounts. I have no doubt that our foreign exchange operations, not only what we did but the knowledge in the markets that we were prepared to act, have played a role in bringing about this improved market situation.

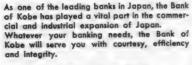
Question: What progress is being made in dealing with international payments imbalances, which Secretary Dillon has stated is the chief problem in international payments, rather than a worldwide shortage of reserves?

Answer: Considerable progress is being made. I have already referred to the very useful role served by the current arrangements among central banks for offsetting the initial im-

(CONTINUED ON PAGE 160)







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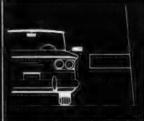
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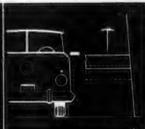
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(CONTINUED FROM PAGE 158) pact of large outflows of funds from some countries by the action of others in "lending back" these funds. But such credits are short term and temporary: there must be sources of credit, for years as well as for months to come, that will be available on reasonable terms and in adequate amount. There the Monetary Fund can play a role. I hope we will soon have an agreement among the industrial countries to provide standby credits to the International Monetary Fund, thus adding to its resources.

Our own balance of payments has improved over last year but is still cause for concern. It now appears that our over-all deficit in the first half of this year amounted on a seasonally adjusted basis to about \$1.5-billion, as opposed to \$3.9-billion in 1959 and only slightly less in 1960.

While these results are encouraging, any complacency about our balance of payments would be both wrong and harmful. Our large merchandise export surplus has during the summer months declined from the peak level reached early this year and the brisk economic recovery underway at home will tend to stimulate added imports. We have, therefore, every reason to push forward with the President's program outlined in his message to Congress on the balance of payments and gold. We must make every effort to increase our export volume, gain an equitable sharing with our allies of economic and military aid, and assure means for dealing effectively with short-term capital flows. Most importantly, to be "in balance" with the world, the United States must be competitive-in the costs and prices of our goods, in their quality, and in the zeal and spirit of our performance. This, together with the reduction of unemployment and promotion of steady growth, is the meaningful way to demonstrate the real capabilities of our free economic society.





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As the 1419 reads and sorts, it simultaneously transmits information directly to your IBM 1401 or 1410 Data Processing System. The IBM 1219 Reader-Sorter provides the same advanced features for off-line operations.

For more information, call the Banking Specialist at your local IBM office. *Magnetic Ink Character Recognition

DETAILED INFORMATION

High-speed processing. Accepting checks and deposit slips of different lengths, widths, and thicknesses, the new IBM Reader-Sorter processes 6" checks at a speed of 1600 documents a minute. When the 1419 is operating on line, it reads 51-column cards for balancing purposes at approximately 1960 per minute.

Operating ease. As checks enter pockets, decelerating stackers reduce check speed by 50%, assuring smooth aligning and stacking for subsequent operations. A foot pedal allows the operator to stop and

start the machine easily, thus freeing her hands for document handling. To reduce machine interruptions and to help the operator use her time to best advantage, lights on the control panel and on each pocket signal her to anticipate full pockets.

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Long Branch, New Jersey

Bank Building

(CONTINUED FROM PAGE 59)

requirements of each banking function to know when the one responsible for that function is asking for physical facilities that are within reason. It is his job to separate true needs for desires which will not add to the net profit of the bank.

Choose an Optimum Location

Since a bank building is a very permanent thing and normally costly to move, it is important that a bank's location be determined with adequate attention to both present and future geographic requirements. Since communities change, the opportunity to erect a new building should take into account not only present needs but the changing patterns of the community's business and residential areas.

Since banks make most of their profit from company and business accounts, both main office and branches should be located so as to serve business. Nevertheless, for the convenience of individuals, a bank should probably be located where people go for other purposes.

Design the Layout

The first step in planning is to design the layout for the various banking functions—teller windows, lobby, administration area, offices, work spaces, drive-in windows, etc. This job can be done best by a banker who has some acquaintanceship with construction principles. Your correspondent bank often has such a person available who will assist with this work either in return for balances or for a fee.

The following points should be kept in mind in making the floor layout:

- (1) Customer access from street or parking space should be as easy as possible.
- (2) There should be a minimum distance from the entrance to high-traffic service locations.
- (3) The lobby should be kept to a reasonable size, since it is the warehouse where customers are stored while awaiting service. An inordinate amount of space or money spent on the lobby can make the price of inventory inordinately high.
- (4) Related functions should be placed as close together as possible to minimize travel and transportation.

How does a community benefit from a SCHOOL SAVINGS PROGRAM

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(5) Movable walls and partitions should be used wherever possible.

(6) Rows of files can be used as department dividers rather than

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(7) Careful attention should be given to future needs. This can easily be accomplished by placing one or more easy-to-move departments adjacent to fast-growing but hardto-move departments. In this way total space requirement can be reduced during the early years of the occupancy of a building in which the bank rents space to tenants. Then as the hard-to-move departments need more space, the easy-to-move departments can be shifted to other areas. Where the bank rents space to tenants, this involves the proper arrangement of lease maturities.

One of the greatest responsibilities of the banker in charge of a building program is to design the layout for optimum efficiency. The banker in charge of the building program knows the banking business. The architect knows the building business. The architect's job is to design a building to meet the banker's requirements. The banker is the boss and must remain so throughout the building process. To permit the architect or builder to assume the responsibility for the layout and make decisions relative to it is to invite an inefficient and usually unsatisfactory building.

Vauit

The bank vault should be planned and located so as to provide the ultimate flexibility within the building to meet future requirements.

In the smaller bank, the vault usually should be placed on the main floor rather than in the basement. This arrangement saves the expense of an extra person who would otherwise be needed as a safe deposit attendant. With the vault on the main floor, a teller or a stenographer can act as safe deposit attendant. Since the buildings occupied by small banks seldom have elevators, daily access to the vault by bank personnel is facilitated when the vault is located on the lobby floor. Since a vault cannot be enlarged without considerable expense, future requirements should be anticipated.

Larger banks often can benefit from several vaults strategically placed in the building. The large cen-(CONTINUED ON PAGE 164) You are cordially invited to attend demonstrations of the latest advance in Check Handling Original Document Processing

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In addition, our Bankers Business Service Division will demonstrate its new Instalment Credit Record Service.





(CONTINUED FROM PAGE 163) tral vault often is inefficient, especially if it is located in the basement or sub-basement.

Don't Skimp on Lighting

Although completely automated banking may be only 20 or 25 years away, today's banking business still depends on eyes. Good lighting is important from the standpoint of its impression on customers, its effect on employee efficiency, its ability to increase working comfort and thus

reduce absenteeism, and its proved effect on employee morale. In fact, one place in a bank where buying the best is fully justified is in the area of lighting.

New standards are amazing to those who haven't checked them recently. Not too long ago, 30 footcandles of illumination was considered adequate for clerical work. A decade ago, 50 to 70 foot-candles became the norm. Now, 200 to 500 footcandles of illumination are being recommended.

PROVES

The secret of good lighting is in relating the amount of light to the darkness or lightness of the wall and floor surfaces. Dark walls and dark working surfaces will cause extreme eye discomfort if used with more than 30- to 50-foot-candles. The lighter the surfaces reflecting light, the higher the level of illumination which can be utilized effectively.

Plan Floors for Comfort, Appearance, and Durability

Floors must meet many require-

- (1) Beauty—to attract customers and boost employee morale.
- (2) Comfort—for those who must stand on them.
- (3) Nonskid qualities—to prevent accidents.
 - (4) Ease of maintenance.
- (5) Durability to save money and prevent the disruptions of work caused by replacement.

Terrazzo goes a long way toward meeting all these qualifications except that of comfort. Many banks have installed carpet throughout their buildings, including the public areas, claiming that it meets all of the above requirements. But for those who still cannot get used to the idea of hordes of snow or slush-bespattered people trooping across carpeted areas, vinyl floors frequently come close to meeting all of the above requirements.

Design Teller Counters to Serve Both the Public and the Tellers

The teller counter is usually the focal point of customers' attention from the time they walk through the door until they have received the required services. Therefore, it is important that the teller counter, first of all, have an attractive appearance. The teller counter should also be arranged to provide customer convenience and comfort and a reasonable amount of privacy.

The customer's side of the counter should have a ledge for papers, packages, etc. It should have footroom so that the customer can stand close to the counter, both for easy communicating with the teller and to maintain the confidential nature of the transaction taking place between the teller and the customer. The teller's name should appear on the customer's side of the counter so that the customer will be able to use

(CONTINUED ON PAGE 166)

BRANCHING INTO CONGESTED AREAS? "Too Small" Lot Can Be Busy Drive-In

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(CONTINUED FROM PAGE 164) it if he wants to and the teller be convinced of his importance to the bank.

The teller's side of the counter should receive a lot of attention in the planning stage. The teller operation should be performed with a minimum turning of the body. There seems to be a definite trend toward the use of a "return" counter on one or two sides of each teller, set perpendicular to the teller line. Increasing use is being made of pre-assembled

teller units, which make it possible to expand or contract the teller line practically at will.

Recognize the Importance of the Automobile

Until Americans buy so many automobiles that the traffic problem becomes impossible, bank planners will have to give ample recognition to the importance of the automobile in their way of life. Increasingly, banking is done by the distaff side of the household, usually accompanied by a

variety of children and pets and in varying stages of dishabille. For this growing market, the automobile window is a must.

While every bank location today can benefit from adequate parking, the automobile window is here to stay and must be provided if it can be done at reasonable cost.

The most efficient drive-in window is the one which can be located in the side of the building, back of the teller counters, so that records used by the tellers can also be reached by the drive-in window teller. Such a location keeps all the teller activities in one part of the bank, facilitates proper protective measures, and gives the automobile teller access to the records in the teller area.

Forgeries

(CONTINUED FROM PAGE 102)

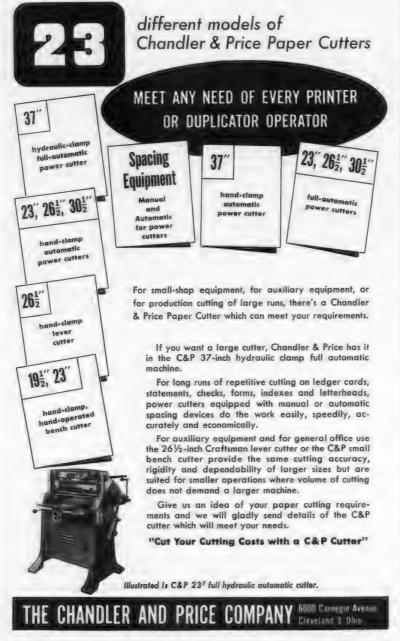
Undue reliance on easily obtainable drivers' licenses is responsible for many losses sustained by banks in the cashing of Savings Bonds, according to the Treasury Department. A Florida bank, for example, lost \$1,558 because it cashed Savings Bonds for a stranger on the basis of a temporary Ohio driver's license only a few days old. Such "identification" is worthless.

In North Carolina a stranger rented a room over a cafe, then tendered some Savings Bonds to the local bank for redemption. The bank asked the cafe owner about the stranger. The owner said his tenant seemed to be all right. On the strength of this the bank cashed the bonds, bearing a distant address, and lost \$4,676.

In another representative case a New York State bank lost \$5,663 because of forged Savings Bonds it had cashed. The bank kept no record of the identification presented in the case. The Treasury had no alternative but to charge the loss to the bank.

Showing the increase in Savings Bond forgeries are the following Treasury data for calendar 1959 and 1960 on actual payments made on forged Savings Bonds. The figures, of course, do not include stolen bonds which have not yet turned up.

N.J., N.Y., and Pa. \$117,983 \$545,529
All other areas 132,985 199,420
Total \$250,968 \$744,949



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Roll up your sleeves!

(CONTINUED FROM PAGE 64)

This means that the biggest pitfall in automation is the selection of hardware first and then trying to decide how to use it.

"There is another pitfall which has happened to several banks," Mr. Arner continued. "If you ask for proposals from two or more manufacturers and you have no system defined. you will probably be unable to compare the proposals. The advantage we

enjoyed was that all six proposals were applied to a common system, enabling us to make a comparative analysis."

A realistic target date should be set for a decision and every effort made to meet it. Proposals must be limited to existing hardware-or at least to hardware with frozen specifications. No one should unduly fear obsolescence, if equipment is selected with a careful review of the predictable changes and on a sound economic hasis.

Another area that can be trouble-

some is validation of proposals. Can the equipment do the job as stated? The arithmetic in each should be checked for error. A real pitfall can be the contract itself. "Everything that can be thought of should be incorporated in the written agreement."

If the change to newer equipment cannot meet two basic requirements. then a change simply for the sake of a change is ill-advised. "If such a change cannot bring about economy of operation and/or better customer service, how can you justify it unless you know all the facts?"

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Don't Wait for the '70 Model

Too many bankers have tended to lag in the systems area, probably because they're over-emphasizing equipment rather than system, said Horace H. Harrison, cashier, State-Planters Bank of Commerce and Trusts, Richmond, Va. They're "waiting for the 1970 Cadillacs."

"This just won't work-not only because the change, when it is made, may prove to be a backbreaking one, but because, even if the approach adopted today is not the ultimate, it does no harm to make a change, provided it is worthwhile, economical and not inconsistent with the future. In fact, only if you always try to have the least expensive, most efficient system to serve as the basis for comparison, can you be sure that the comparison is valid. I know of computers that have been justified because they were compared with archaic, largely manual systems. This is easy to do, but it's the fallacy that comes from waiting for the 1970 Cadillac."

Don't let consideration of a system requirement become snarled up with over-emphasis on the equipment to be used. Bankers spend endless hours arguing the relative merits of machines, then too often their decisions are influenced by what some other banker has done.

"In comparing our three-year experience with 'tronics against our experience with conventional equipment, we've noted several other advantages than mere cost ones," said Mr. Harrison. He listed them:

(CONTINUED ON PAGE 170)



Representing a tradition more than a century old of cooperation between Canada's first bank and American bankers, the B of M representatives pictured at right look forward to seeing you at the Convention.

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(CONTINUED FROM PAGE 168)

(1) Error rate is down; (2) operators have fewer things to concentrate on, can be more careful; (3) with printed checks, sorting and filing is faster, more accurate; (4) easier, faster to train new operators; (5) provides fully itemized stub for reference purposes after statement mailing.

However, mistakes are more difficult to spot and it is easier for a forged, numbered check to get through than under a signature comparison system. "I'm inclined to think that if I were facing the problem today I'd do a lot more exploring of the concept of assigning account numbers in numeric order to my accounts, but keeping the accounts in alphabetic order. Check sorting would, of course, have to be alphabetic, and I'd have no numeric sequence, but—after all—there'd be a number on the check and a similar one on the ledger sheet, and this would be all that matters."

Mr. Harrison said he also believed he would use a check digit simply because this would forestall issuing about 10% of those available numbers that produce invalid check digits. "Then I believe I'd be set—to stick with 'tronics or go forward into some more sophisticated form of electronics. Under electronics, I'd keep the ledgers numerically rather than alphabetically."

Under a computer system, the accounts would have to be renumbered, "but at least we've gone far enough to have the customers' names on all the checks. If, by chance, some of you haven't done this yet, let me say that this is quite a step in itself."

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Volume Isn't Enough!

A SQUEEZE on bank earnings makes it foolish to use "give away" programs—simply doing business for fun—Wallace M. Davis, president, The Hibernia National Bank in New Orleans, told the convention.

"The alternatives to determination of costs and adequate pricing will be found in further encroachment on deposit balances and added forms of competition where the least informed and most indifferent managements will write the ground rules for all of us." he said.

"Unless we move promptly to establish more realism in our philosophies, we will suffer injuries which will be extremely difficult, if not impossible, to cure."

Something Else Needed

Mr. Davis deplored the inflexible philosophy that volume was the beginning and end of all problems. "But volume without something else is not enough, it is more important to place emphasis on well-directed efforts to increase revenues and hold down costs within the framework of what we have."

A sampling of experience, relative to cost accounting programs in banking, led Mr. Davis to three conclusions:

(1) Few banks have adequate cost systems and facts; (2) many bankers believe that costs cannot be determined with any reasonable accuracy and thus rely on guestimates; (3) still others evidence utter indifference.



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Leadership

(CONTINUED FROM PAGE 65

tor, Bureau of Industrial Relations and professor, School of Business Administration, The University of Michigan, Ann Arbor, Michigan; George B. Ward, deputy manager, The American Bankers Association; William Powers, senior deputy manager, The American Bankers Association, and director of the Bank Executive and Staff Development Committee; and William L. Butcher, chairman of the board, The County Trust Company, White Plains, New York, who is chairman of the committee.

Material Was Field-Tested

The present material and method of presentation were field-tested in nine regional centers from September 1960 through April 1961. Typical of hundreds of oral and written comments were the following:

"The Boston seminar was one of most stimulating affairs I ever attended," James S. Barker, president, The Mechanicks National Bank of Concord, New Hampshire.

"I don't know when I have attended a meeting of any kind from which I got so much practical help and assistance covering my banking duties. I especially liked the manner of presentation," V. C. Hollingsworth, president, Citizens State Bank, Hamilton, Montana.

"Participation in the New Orleans seminar was an inspiration to all who attended," John B. Barnett, Jr., president, The Monroe County Bank, Monroeville, Alabama.

Practical Methods Used

"What I liked most was the practical and down-to-earth methods used. All the problems were approached from the viewpoint of a small-town banker," John M. Jones, president, First National Bank, Georgetown, Kentucky.

"Although I felt that I was too old to go to school again, I gained much from attending the well planned and ably conducted seminar in Kansas City," E. W. Delano, president, Allegan State Bank, Allegan, Michigan.

"I returned home feeling as if all case problems were directed at me and my bank," William M. Honey, president, The Martha's Vineyard National Bank, Vineyard Haven, Massachusetts.

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A Hidden Threat to Loan Liquidity

JOHN L. NOSKER

The author is vice-president of the Federal Reserve Bank of Richmond.

THE EXTENT to which long-maturity paper contributes to a high loanto-deposit ratio is prompting considerable debate among members of the banking fraternity. However, little reference has been made to a most important aspect in this situation. That is the decided growth in the proportion of continuous or "sleeper" loans in the portfolio.

Long-maturity paper carried by commercial banks is generally in the form of term loans to business. Other principal segments in this category are consumer credit and mortgages to homeowners. These credits are typically based on formal agreements containing terms of maturity and collateral requirements. Usually these agreements also set forth various provisions regarding the administration of the extension and the conduct of financial affairs of the debtor.

Experience has proved that continually renewed short-term notes often develop in some respects into unintended capital loans which may be carried to some remote future date without benefit of a protective formal agreement, and most likely on an unsecured basis. These are the continuous or "sleeper" loans. They do not include the short-term, self-liquidating notes which are renewed for appropriate periods under justifiable circumstances.

Thus the "sleeper" loan, although made for a relatively short term, has been extended indefinitely upon the proverbial "promise to renew." Prior to the difficulties of the early 1930s there was much "90-day paper" in bank portfolios which literally had extended nine years or more. Companion to this was the real estate mortgage drawn for six months but renewed repeatedly for decades.

By sound bank management and a rather radical change in philosophy, the predominance of notes of this character has been greatly reduced. Even so, there is yet a sufficient amount in some portfolios to have an adverse effect upon liquidity.

Repeated requests for renewal without curtailment or applications for extensions over an improper length of time should automatically signal that all is not well with the customer. It could also indicate that the borrower was not properly financed originally. The longer such paper is carried, the greater the risk of adverse developments.

The seasoned lending officer is well aware that, if this type of loan is left to its own devices, it often deteriorates into a problem credit. Frequently the rate of erosion accelerates so rapidly that, when the true status is recognized, the line is beyond remedial action. Forced collection, at best, is a very unpleasant task usually resulting in losses to all parties in-

(CONTINUED ON PAGE 176)



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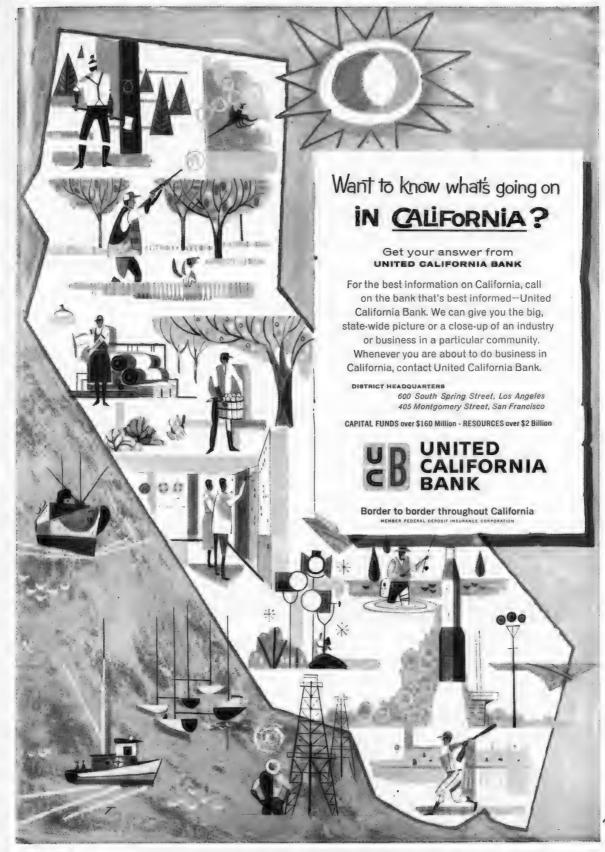
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Subject to Call ...

So many bonds today are subject to call at a premium that it is well to have a special table for yields and values. The only such book is "Callable Maturity Bond Values" currently offered in a 2nd Edition at \$15 the

copy. It is similar to ordinary tables except for the feature of assuming call at a premium (100½ to 110). Not new (1946) it is still the best and will be gladly sent on approval. Ask for publication No. 79.

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volved and often providing unfavorable publicity for the bank.

Although individual borrowers may become so involved, the chief offender in recent years has been the small or medium-sized business concern. While it is more prevalent among new organizations, which have a known high mortality rate, well established firms with previous favorable credit ratings frequently lose in their struggle with continuous bank debts.

Most likely some are borrowers who have maintained good deposit accounts in the past. Or perhaps the loan is continued because of the prestige and standing of the enterprise or those connected with it. The bank wished to continue credit accommodation and usual standards pertaining to payout or periodic reduction were violated.

Possibilities

Such situations are fraught with many eventualities. There is the possibility of the adverse effects of keener competition, obsolescence of product, or the removal of a principal figure in management. The loan is still protected by the asset values of the borrower or endorsers, but it becomes necessary to crowd in to collect at the wrong time.

In addition to the unusual and unforeseen circumstances, the inability to service indebtedness properly is attributable, as a general rule, to ineffective management. Many management difficulties of late have been traceable to overtrading on limited capital and a deterioration in current position. This could be succinctly described as management's improper attitude toward borrowed funds.

Quality and Liquidity

While the fashion in lending has changed materially to meet modern requirements, the commercial bank's fundamental need for quality and liquidity in its invested assets has not deviated. These prime requisites, on the contrary, have become increasingly important with the accelerated growth in loan volume and sizable holdings of continuous loans. In other words, it should be known how many borrowers can pay according to proper terms, how many cannot, and how many will.

Early to bed and early to rise, until you have enough jack to do otherwise.

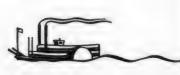


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New Books

Money Masters: Your Career in Banking. By Harry Edward Neal. Julian Messner, Inc., New York. 192 pp. \$3.50. This simple explanation of banking and the opportunities it offers young men and women includes the training programs, fringe benefits and educational facilities available to bank personnel. Governor J. L. Robertson of the Federal Reserve Board says in the foreword that it's "a bird's-eye view of a whole field of

business that offers unlimited opportunities." scriptions of 52 popular job fields, tunities." He goes into such questions as: Vill

A Woman's Guide to Earning a Good Living. By Elmer Winter. Simon & Schuster, New York. 401 pp. \$4.95. Here's comprehensive coverage of an important subject. Mr. Winter, president of Manpower, Inc., which employs 75,000 women on part-time jobs each year, deals with their careers, providing complete de-

scriptions of 52 popular job fields. He goes into such questions as: Will it really pay to work? When should mothers of young children work? What are the answers for an older woman wanting a job?

THE FOLKLORE OF MANAGEMENT. By Clarence B. Randall. Little, Brown & Co., Boston, in association with Dun & Bradstreet, Inc., New York, 204 pp. \$4.75. In the foreword to this book-form appearance of Mr. Randall's series in Dun's Review and Modern Industry, the author observes that "everyone writes about business except businessmen. Scholars who have never managed anything," he continues, "propound theories of management. Economists who have never had to face an annual meeting of stockholders describe the damage that we are doing to our economy. Politicians flog us and thus get elected, and labor leaders regale their membership by reciting the catalog of our sins. But we, who know most about the subject, stand mute." Mr. Randall, writing as a retired senior citizen, pulls no punches, commenting thoughtfully on a number of "myths," among them communications, the organization chart, the management committee, the "production wizard," the specialist and cost cutter, the overworked executive, the "wicked politician," and finally, retirement. He is former chairman and president of Inland

THE MAN IN THE MIDDLE. By Nathan W. Shefferman. Doubleday, New York. 292 pp. \$4.50. "The inside story of the hot and cold wars between management and labor." The author is an experienced handler of labor problems for employers.

MANAGEMENT'S STAKE IN TAX ADMINISTRATION. Tax Institute, Inc., Princeton, N.J. 260 pp. \$6. A symposium conducted by the Institute.

THE CITY OF LONDON AS A CENTRE OF INTERNATIONAL TRADE AND FINANCE. The Institute of Bankers, London, 166 pp. 20s. The lectures delivered at the 14th International Banking Summer School in London and at Oxford in July 1961.



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by those who are strangers to finance—a woman whose husband handled their finances before . . . a farmer seeking a dependable income . . . a young couple who can afford to invest, but not to speculate.

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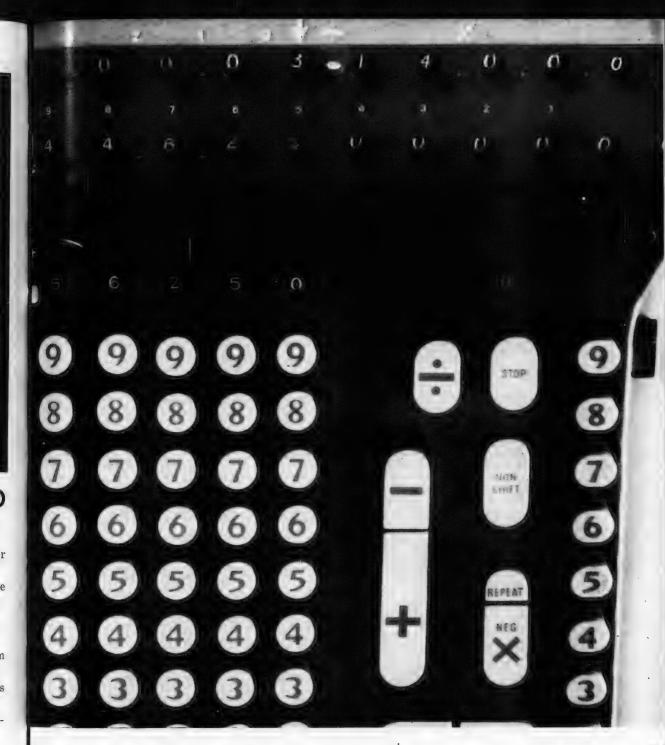
BANKING



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Digest of the Business Outlook

(CONTINUED FROM PAGE 37)

TEXTILES cycle is moving up; prospects for cottons and woolens improved. Strengthening of military gives lift to woolens and worsteds and especially cottons. The industry is feeling better.

POWER EQUIPMENT. New orders are in good volume and exports growing. Big manufacturers like GE and Westinghouse getting their share of business, despite lawsuits brought by their customers. The industry's firm tone is expected to hold.

RAILROAD freight traffic moving on normal seasonal track; nothing extra. Economic improvement hasn't yet boosted carloadings noticeably. But fall business gain should benefit the rails. Outlook now is 1961 business will be 5% less than 1960's; unless fall brings a very marked pickup. Earnings have been poor, especially in the east, but with some summer improvement.

AIR TRANSPORT outlook still isn't good. First 7-month traffic was 1.6% below last year. First half loss was \$13,500,000, compared with \$6,000,000 a year earlier. Although business may improve this fall, 1961 could still end as a net loss year.

AUTOS. Commerce Department still estimates 1961 output at about 5.8 million cars. Public's reaction to the 1962 models is the key to next year's business. A Ford officer predicts 1962 sales of 6½-7 million cars; a GM officer 7½ million, including imports. The latter have been running at a rate of 400,000 a year.

HOME EQUIPMENT. Manufacturers sales have improved steadily for many weeks. Appreciable retail improvement

reported nationwide. One big manufacturer reports all five of its plants busy, with backlogs of 2-4 weeks.

STEEL will take the present military strengthening in stride. Effects of new military plans are usually 6-12 months delayed. Through August steel output trailed 1960's. Industry has excess capacity. But business should be good in the months ahead.

ALUMINUM. Trend is up. So is competition. Two new producers are rumored to join the industry. Kaiser is working at 90% of capacity on West Coast. More U.S. plants being built abroad. Dodge experimenting with aluminum bumpers. In some cases aluminum cans are underselling steel. Other uses are growing.

PAPER. Trade is optimistic about the fourth quarter; and 1961 total should better 1960's by about 3%, with a continuing rise in demand and production.

FOOD business in first half rose about 4%, a good growth. Food crystals seem to make progress appealing to summer camps, airlines, the military, and foreign governments. Citrus crystals aim to displace frozen concentrated juices.

RUBBER. Autos ride on rubber and rubber rides on autos. If auto sales in 1962 meet above-mentioned quantities, rubber too will have a good year. Until now, rubber business has been improving slowly. Outlook is for continued gain into 1962.

COAL. Post-Labor Day outlook is good; much improved. Several good summer weeks for over 8 million tons each raised the industry's hopes. Steel and electric-utility demand, especially in the Mid-West, has been good. Even so, the 1961 output isn't expected to exceed 97%-98% of 1960's 415 million tons.

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the Irving takes your point of view

Pinpoint the areas of interest that mean profitable business to you-and you'll find a man at the Irving ready to assist you. His flexibility and experience in visualizing your needs can lead to expanded business opportunities for you and your customers.

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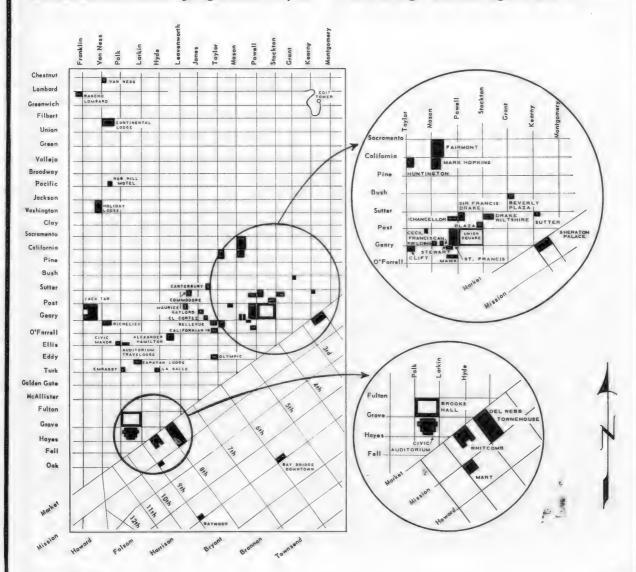
NATIONAL BANK OF DETROIT

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The A.B.A.

Meets in San Francisco

This map of downtown San Francisco, prepared by the Convention Committee, will serve as an easy guide to the area pictured on the front cover. The sections encircled there are spotlighted here for your convenience. The larger circle encompasses the district where most of the hotels serving the A.B.A. are situated, while the smaller circle shows the location of the buildings where meetings will be held.



The 87th Convention

THE 87th convention of The American Bankers Association meets in San Francisco, October 15-18. It's the sixth time the A.B.A. has assembled in the city with the Golden Gate.

President Carl A. Bimson, Vice-president Sam M. Fleming, and the various division and section presidents have prepared a program of distinguished speakers—bankers, businessmen, and Government officials, among them the Secretary of the Treasury, the Hon. C.

Douglas Dillon, who speaks at the first general session.

This section of BANKING previews the convention: pictures of the official family; the program; stories about San Francisco; and a feature on that popular convention stopping place, the educational displays of bank equipment and services in Brooks Hall, Civic Auditorium, scene of numerous convention meetings. There's also a report on "Los Angeles: A Dynamic Area."

The Golden Gate Bridge is a symbol of the convention city



HOREST

City by the Golden Gate

GLISTENING buildings on steep hillsides, flowered parks, clanking
cable cars, and cool crisp air giving
way now and then to great rolling
puffs of gray fog will be the backdrop for the 87th annual convention
of The American Bankers Association, the sixth one to be held in the
city by the Golden Gate.

Everybody loves San Francisco, whether resident or fleeting visitor. Yet, this beautiful and unique metropolis appeals in different ways to different people.

Some find that as a port town, with one of the world's finest harbors, San Francisco offers the most in excitement and charm. It has 42 piers, 18 miles of berthing space, and is served by 120 steamship lines which touch on at least 300 world ports. It has Fisherman's Wharf, with its flavorful aroma of boiling seafood, its swarthy fishermen with their bright colored caps, and the old-time sailing ship, Balcutha, last of the great windjammers.

The Bridges

28

ır

Many people visiting San Francisco are impressed most with the deep chrome red Golden Gate Bridge, guarding the entrance of the harbor with the world's longest single span and highest bridge towers. This tremendous feat of engineering, completed in 1937, has become as much a part of the natural setting as the city's seven hills, the blue water, and the rolling fog. And it was made possible by banking's A. P. Giannini, head of the Bank of America, who was responsible for the successful bond subscription that financed its construction.

Perhaps almost as impressive is the Bay Bridge crossing over Treasure Island to Oakland, the world's longest bridge. Also, there are the ferries and their clock-towered berth, the Ferry Building, down at the foot of Market Street.

To many San Francisco is best remembered for Nob Hill, with its ele-



CULVER SERVICE

San Francisco in the 1850s

gant homes and apartments as well as the two world famous hotels, the Fairmont and the Mark Hopkins, the latter with the famous "Top of the Mark" cocktail lounge providing one of the many panoramic views of the city. Then there is Telegraph Hill, with its Coit Tower, and Russian Hill, with its artists' homes, and Twin Peaks, with the most spectacular glamorous view of all.

Chinatown; Latin Quarter

To some people San Francisco means Chinatown, the largest oriental community outside of Asia. Here are narrow streets and dark alleys, the famed Grant Avenue, pagoda shaped towers, fascinating shop windows, lanterns, dragons, "bird's nest soup", Old St. Mary's Church, and the statue of Sun yat-Sen.

Many may find that the Latin Quarter in the section called North Beach best typifies the gay and often irreverent atmosphere of San Francisco. A large Italian population is found here, as well as those of French, Basque, Spanish, and Mexican descent. This area, though, is

even better known for its bohemian colony of artists, writers, and in recent times beatnicks, with their coffee houses and jazz spots.

San Francisco to many is most important as a center of cultural appreciation. There is the War Memorial Opera House, home of the San Francisco Opera Company, the only permanent opera in the West, and the San Francisco Orchestra. There is the Civic Auditorium, used by the San Francisco Light Opera Company and for summer concerts. And there are three major art galleries with permanent collections.

Gourmet's Delight

To the gourmet San Francisco is a delight, with some of the finest and often most exotic, eating places in the world. Almost every type of cuisine imaginable abounds, American, Armenian, Basque, Chinese, French, German, Indian, Italian, Japanese, and Indonesian. Among the most popular restaurants are Romanoff's, the Cathay House, the Blue Fox, Jack's, Fisherman's Grotto, and Trader Vic's.

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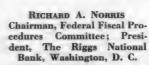


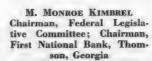
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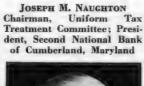


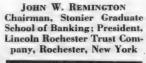
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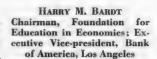


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ELWOOD F. KIRKMAN Chairman, State Legislative Committee; President, The Boardwalk National Bank, Atlantic City, New Jersey













October 1961

The Convention Program

ALIAN ARABARAKAN KARAN KAR

STEWARDSHIP reports by division and committee heads on the achievements of The American Bankers Association in its 1960-61 year will be the order of the day when the 87th annual convention of A.B.A. is held in San Francisco on October 15-18.

According to custom, the Administrative Committee and the Executive Council of the Association, and its various divisions, sections, and committees will hold meetings in advance of the two general sessions.

General Session Speakers

Carl A. Bimson, president of the A.B.A. and of the Valley National Bank of Arizona, Phoenix, will give the president's report at the first general session of the convention on Tuesday, October 17.

Other speakers at this session will include the Hon. C. Douglas Dillon, Secretary of the Treasury, Washington, D. C., and Robert W. Galvin, president of Motorola, Inc., Chicago. Paul E. Hoover, president of the San Francisco Clearing House Association and of the Crocker-Anglo National Bank, will extend greetings to the assembled delegates.

Second general session speakers on Wednesday, October 18, will include Roy L. Reierson, senior vice-president of the Bankers Trust Company, New York, whose subject will be

As president of the A.B.A., Carl A. Bimson has traveled thousands of miles; has made some 20 prepared addresses before banker conventions, conferences and seminars. In addition, he has made numerous trips to Washington to consult on legislative matters and to the A.B.A. headquarters in New York to advise on policies and procedures



"Economics and Financial Outlook," and Ronald Reagan, actor, Pacific Palisades, Calif., whose topic will be "Losing Freedom by Instalments."

Candidates for Office

The election of officers for the ensuing Association fiscal year will be held at the first general session.

Candidates for the presidency, vicepresidency, and treasurership are as follows:

Sam M. Fleming, vice-president of The American Bankers Association and president of the Third National Bank, Nashville, Tenn., is in line for the top post. Before his election to the vice-presidency in 1960, Mr.

C. Douglas Dillon



Robert W. Galvin



Roy L. Reierson



Ronald Reagan



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BANKING



Paul E. Hoover



W. B. Camp



Charles M. Williams



S. Edgar Lauther

Fleming had held a series of committee and division posts in the A.B.A. and had also been active in the Tennessee Bankers Association.

M. Monroe Kimbrel, chairman of the First National Bank, Thomson, Ga., and presently chairman of the Federal Legislative Committee of the Association, is the only candidate for the vice-presidency. Mr. Kimbrel has been active in the A.B.A. for a decade. His assignments include membership on several committees of the Agricultural Committee; A.B.A. vicepresident for Georgia 1951-53, and regional vice-president 1953-55. His election also seems assured.

J. Carlisle Rogers, president of The First National Bank of Leesburg, Fla., is seeking the treasurership of the Association and is the only an-

During his vice-presidency, Sam M. Fleming likewise has made some 20 prepared speeches before banking groups and has made several visits to the Washington and New York headquarters of the A.B.A. on official businounced candidate for the post. The treasurer, who usually serves two 1year terms, will be selected by the Executive Council of the Association at its organization meeting on October 18, following the adjournment of the convention.

Mr. Rogers has been active in the Florida Bankers Association; is a past president and secretary of the FBA; was several times chairman of the Agricultural Committee, Public Relations Committee, and Federal Legislative Committee.

In The American Bankers Association, he has served in many capacities with the State Association Section, becoming its vice-president in 1945 and president in 1946. Other important assignments with the A.B.A. include two 1-year terms on the Executive Council and he is currently serving his third. Also, currently, he is serving a 3-year term on the Agricultural Committee.

The convention program outline follows:

Agricultural Subscription **Breakfast**

Monday, October 16, 8 A.M.

Sheraton-Palace Hotel, Gold Ballroom

Presiding, John H. Crocker, chairman, Agricultural Committee, The American Bankers Association; chairman, Citizens National Bank, Decatur, Ill.

"Barns and Skyscrapers-Inseparable" by W. B. Camp, president, W. B. Camp & Sons, Inc., Bakersfield. Calif.

Savings Division

Civic Auditorium, Larkin Hall-10 A.M.

Presiding, Gaylord A. Freeman, Jr., president of the Savings Division, The American Bankers Association; president of the The First National



Entertainment Schedule

Sunday, October 15
4:30—6:00 P.M. Informal Reception at the Sheraton-Palace Hotel

Monday, October 16
12:30 P.M. Ladies' Luncheon at Fairmont Hotel

Immediately following Ladies' Fashion Show at Masonic Memorial Temple

Tuesday, October 17
8:30 P.M. Ernie Heckscher and His Orchestra Civic Auditorium, Convention Hall

Monday and Tuesday A cruise of San Francisco Bay on the "Harbor Queen"



Courtenay J. Moon



George Champion



Robert L. Myers, Jr.



John E. Horne

Bank of Chicago, Chicago, Illinois.

"Your Savings Can Be More Profitable," a visual presentation by President Freeman, with elaboration by:

Charles M. Williams, Edmund Cogswell Converse, Professor of Banking and Finance, Harvard University, Graduate School of Business Administration, Boston, Mass.

S. Edgar Lauther, president, Irwin Union Bank & Trust Company, Columbus, Ind.

Courtenay J. Moon, vice-president and creative director, Johnson & Lewis, Inc., San Francisco, Calif.

State Bank Division

Monday, October 16, 10 A.M. Civic Auditorium, Convention Hall

Address of the president by Roland L. Adams, president, Bank of York, York, Ala.

Address by George Champion, chairman, The Chase Manhattan Bank, New York, N. Y.

Remarks by Robert L. Myers, Jr., first vice-president, National Association of Supervisors of State Banks; Secretary of Banking for Pennsylvania, Harrisburg, Pa.

National Bank Division

Civic Auditorium, Convention Hall—2 P.M.

Address of the president by Ben H. Wooten, chairman, First National Bank in Dallas, Tex.

Address by John E. Horne, Administrator, Small Business Administration, Washington, D. C.

"Problems of Success" by the Honorable Thomas B. Curtis, United States Representative, Webster Groves, Mo.

Remarks by the Honorable Ray M. Gidney, Comptroller of the Currency, Washington, D. C.

Trust Division

Monday, October 16, 2 P.M. Civic Auditorium, Larkin Hall

Address of the president by Robert R. Duncan, chairman of the board, Harvard Trust Company, Cambridge, Mass.

Greetings by J. R. Johnson, vicepresident and senior trust officer, Bank of America N.T.&S.A., San Francisco, Calif.

Address by Eliot J. Swan, president, Federal Reserve Bank of San Francisco, Calif.

First General Session

Tuesday, October 17, 9:15 A.M. Civic Auditorium, Convention Hall Presiding, President Bimson.

Greetings by Paul E. Hoover, president, San Francisco Clearing House Association; president, Crocker-Anglo National Bank, San Francisco, Calif.

Address by President Bimson.

Address by the Honorable C. Douglas Dillon, Secretary of the Treasury, Washington, D. C.

Election of officers.

"A Look at Electronics" by Robert W. Galvin, president, Motorola, Inc., Chicago, Ill.

Second General Session

Wednesday, October 18, 9:15 A.M. Civic Auditorium, Convention Hall Presiding, President Bimson.

"Economics and Financial Outlook" by Roy L. Reierson, senior vicepresident, Bankers Trust Company, New York, N. Y.

Report of the Resolutions Committee. Inauguration of officers.

"Losing Freedom by Instalments" by Ronald Reagan, actor, Pacific Palisades, Calif.

Ray M. Gidney



Thomas B. Curtis



J. R. Johnson



Eliot J. Swan



Thar's Gold in Them Hills

Han Francisco, Nor 13th 1899

Thom W. In Musclith .

See of Freaziery.

The delay attendant upon my arrival has been to one a decree of great anxiety, and given me much timble. I can only veg think it have been in the hands of others, over whose minements of had no control. Remonstrances and important, a see all disregarded. I have suffered much of hardely, of previous toil, and succentrate on little of part. We were compelled, for several days in succession, to fight our way though have bands of Indians, but excepted without the low of ble on on

Mill in January 1848 had farreaching effects, not only on the opening of the West, but on the financial and monetary history of the United States. Naturally it affected the Treasury. But, most important, it affected the people.

No Unmixed Blessing

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Some of these personal experiences are contained in the first report to Secretary of the Treasury W. M. Meredith from the first customs collector in San Francisco, J. Collier. In this letter, written November 13, 1849, he recounts the hardships and perils of the westward trip. And then, in some detail, he describes the problems created by the discovery that "there is gold in California."

A Familiar Problem

It is not too difficult to view his problems with sympathetic understanding. Take, for instance, his dilemma in trying to comply with instructions concerning employment.

"Desirous as I am of conforming to the instructions from the Treasury Department, yet you will see from what follows that, so far as the salaries of the various officers employed in this office is concerned, it will be wholly impossible. The clerks are receiving from \$1,800 to \$3,000 per annum, and there is not a sufficient number to transact the business. More must be employed, and that too, with like salaries. The necessity for the payment of such salaries arises from the fact that the ex-

penses of living justify the payment."

Mr. Collier went on to report that "for boarding, the average is \$5 per day, without rooms or lodging." A single bed rented readily at \$150 a month. For his own use, Mr. Collier had been offered a 4-room house without fireplaces for the modest rental of \$2,400 a month. Finding suitable working space also presented difficulties:

"I am occupying what was the old Mexican Custom House, constructed of unburnt brick. It is a long, dark, one story building in miserable condition. The roof leaks so badly that, during a rain, our papers are liable to be wet. The doors are some of them off the hinges, and all are insecure."

He Saw His Duty . . .

Under these circumstances and being so remote from Washington, Mr. Collier said that he felt compelled to take the responsibility of making repairs at current prices: \$60 per thousand for shingles and \$12 to \$16 per day for carpenters. He also added that he would probably have to rent a warehouse before the Secretary would have a chance to answer his letter. If so, "it will be at a price that may astound you."

Not only was Mr. Collier worried about the many expenditures he had to make at gold-rush prices. He was equally concerned about what to do with the money he collected. He pointed out that, prior to his coming, duties were collected by the military authorities. Now vast sums were being collected by him and he had neither the authority to turn them over to the military nor a safe place for retaining them. And this wasn't the only snafu:

Other Disappointments

"I had hoped to find on my arrival letters from the department, but was disappointed. It is extremely difficult to institute and carry on a suit commenced against a vessel seized for violation of the Revenue laws. Before closing, permit me to say that the articles directed to be shipped from New York for this office have not as yet arrived."

The Final Straw

In closing Mr. Collier voiced a sentiment that has so often crossed the minds of many people today—"Looking to a decline in present prices. Very respectfully yours . . ."

To this rather pathetic letter, let us now add a postscript. When his service ended, the Government sued Mr. Collier for unauthorized outlays.

San Francisco Bay Area:

Its Biggest Growth Is Still to Come

The tremendous economic development of the San Francisco Bay area up to the present is but the prelude to continued growth in the years and decades to come. A survey prepared for the U.S. Army Corps of Engineers predicts much greater growth in the next 60 years in population, employment, manufacturing, services, trade, communications, public utilities, and other activities. The report describes how, under given conditions, the Bay Area will evolve and develop decade by decade until the year 2020.

By 2020 the area will have a population of 14,400,000, of which more than 5,000,000 will be employed. There is sufficient potential urban land, 3,600 square miles, to accommodate the urban land requirements of the projected economic growth. The South Bay counties, excluding San Francisco County, are expected to grow the most, from a 1960 population of about 2,400,000 to nearly 10,000,000 by 2020. In the North Bay counties the population is projected to expand from about half a million in 1960 to nearly 4,000,000.

In Contra Costa County population is expected to increase more than five-fold by 2020. San Mateo and Santa Clara Counties will about quadruple and Alameda triple its 1960 population, according to the engineers' projections.

The average population density of the South Bay counties is expected to double by 1990, from 800 persons per square mile to almost 1,600; and by 2020 it will be nearly 3,000 per square mile, or close to four times the present density. This population expansion will provide the base for great economic development. The sur-



vey indicates continuation of the southward trend of growth in this area.

While population in the North Bay counties will continue to grow, it will have its major expansion in the latter decades of the 60-year period, from 1990 to 2020. Today about 14% of the entire area's population live in the North Bay counties. By 1990 this will be 19%; but by 2020 it will have

climbed to 26%, it is forecast. Population density in the six decades will increase tenfold in the northern counties.

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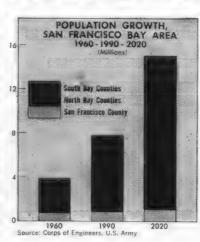
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Areas of Least Growth

San Francisco County, having already attained a high population density, will show the least growth of Bay Area counties in the decades ahead. Its population, now about 793,000, is calculated to reach 938,000 in 1990 and 1,018,000 in 2020. The cities of Oakland and Alameda, also, will grow slowly.

By 1990 the most populous counties in the area will be Alameda with 1,-673,000 inhabitants and Santa Clara with 1,532,000. By 2020 the projected populations will be:

Santa Clara	2,931,000
Alameda	2,854,000
Contra Costa	2,140,000
San Mateo	1,749,000
Sonoma	1,157,000
Solano	1,116,000
San Francisco	1,018,000
Marin	790,000
Napa	655,000





The famous California Freeways are much in evidence in this view of San Francisco looking eastward toward Mt. Diablo with Oakland in the background

Manufacturing, trade, and services will provide nearly three-fourths of all jobs in the San Francisco Bay Area in the next six decades. At present they supply about 65% of the jobs. Manufacturing employment will triple by 2020. But from 1990 to 2020, manufacturing's share of total employment in the area will decline from 26% to 24%. In 1960 it was about 22%. The trend of manufacturing in the next 60 years is estimated on the basis of industrial potential and the results of a national survey of business and industry plans for expansion in the area.

New Industries Will Create Additional Jobs

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The survey showed that, over the next 15 years, 35,000 new manufacturing jobs would be created in the Bay Area by six major manufacturers not already located there. The Bay Area offers development opportunities for refineries, petrochemical plants, and production of fertilizers, sulphuric acid, plastics, cement, and compressed and industrial gas. Increasing production of computers and electronics products is planned. The focd industry is expecting to expand

food processing and distribution as population grows.

The area offers growth opportunities also for packaging and containers. This stems in part from the diversity of product lines already manufactured there.

Industrial Prospects Will Steadily Multiply

The Government report sees an integrated steel mill operation as a possibility for the Bay Area within the next few years. At least one major steel company is studying the feasibility of such an operation. If this prospect becomes a reality, it will open the way for the manufacture in the Bay Area of a variety of durable goods.

In the years immediately ahead, other industries with strong possibilities in the area are building materials, printing and publishing, aluminum fabrication, research and development laboratories, furniture, and service and supply industries such as tool and die shops, welding shops, and industrial equipment and machinery manufacturing. As the area's industrial structure becomes more complex, the probabilities of

further industrialization are greatly increased.

Various factors argue for a vigorous growth of manufacturing in the Bay Area. Manufacturing there is still relatively underdeveloped and will grow to meet the increasing demands of the western markets. Ample land in suitable locations is available. Research and scientific facilities as well as personnel available locally will act as an incubator for new products industries and will help attract others. The growing diversity of manufacturing operations and expansion into such growth industries as electronics and automation devices, industrial machinery, transportation equipment, and chemicals all increase the opportunity for Bay Area manufacturers to share in the progress.

Effect of Freight Rates

Also serving as a stimulus to Bay Area manufacturing is the possibility of increases in freight rates on eastern goods now moving to the West. This will encourage more branch plants to serve the Bay Area and the western states.

The many advantages available to industry in the South Bay counties—developed industrial parks and other suitable plant sites, transportation facilities, suitable residential sites, utility services, and research facilities—indicate that the larger share of the Bay Area's industrial and commercial growth will develop in the south.

Special Attractions

But there are good possibilities for such development in the North Bay counties, for heavy as well as light industry. The southeastern half of Solano County should appeal to industries searching for unrestricted locations on navigable waterways: chemical plants, pulp mills, and paper companies. For the next decade or two, however, it is likely that the ample industrial land available in the highly developed southern counties and adjacent areas to the east will exert the stronger pull on industrial newcomers.

Wholesale and retail employment in the Bay Area will double by 1990 and about quadruple by 2020, it is forecast. By the latter year more than a million and a quarter persons will be employed in trade. A larger number will be engaged in services. In general, the Government predicts, the

Selected Population Projections for San Francisco Bay Area, by Decades

		(in	thousan	ds)			
	1960	1970	1980	1990	2000	2010	2020
Bay Area total	3752	4314	5729	7425	8261	11,260	14,410
San Francisco	793	841	889	938	986	1,002	1,018

Bay Area's position in wholesale operations is expected to lose ground in relation to Los Angeles and the major urban centers in the central valley. Retailing, however, will keep pace with population and will probably exceed it. This is based on the Bay Area's record as a purveyor of specialty goods and on the probability that per capita consumption spending will rise.

More Income; More Spending; More Jobs

As incomes rise, more money will be spent on a wide range of personal, business, technical, and professional services. Tourism also is counted on to contribute an increasing share of the area's income. While employment in transportation will grow in the next 60 years, transportation's share in total jobs will decline. Government employment, especially at the state and local levels, will provide increasing job opportunities, especially because of the Bay Area's position as regional headquarters for many governmental and military functions.

A Primary Center for Financial Services

With the over-all growth, finance, insurance, and real estate activities are bound to grow. This includes banking, of course. The Bay Area will grow appreciably as the primary regional center for financial and in-



Responding to the population boom are the apartment developments such as Park Merced (foreground) and Stonestown (background) mushrooming through the area

surance services. Construction activities also will expand.

Decline in Farming

On the other hand, agriculture and the extractive industries in the area will provide less employment. Agricultural land is being taken over for residential, industrial, and other nonfarm purposes. Of over 6,900 square miles of land in the Bay Area in 1960, 4,300 were agricultural, 518 were residential and commercial, and 98 were industrial. By 1990 farm land will be reduced to 3,705 square miles, industrial land will be up to 183 square miles, and residential and commercial and commercial and commercial and residential and commercial and residential and commercial will be up to 183 square miles, and residential and commercial a

cial to 1,112. In the subsequent 30 years these divergent trends will continue. By 2020, over 2,000 square miles will be in residential and commercial use.

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A Smaller Portion Will Live in San Francisco

San Francisco's percentage of Bay Area population is expected to decline from about 21.1% in 1960 to 12.6% in 1990 and 7.1% in 2020.

The Bay Area is expected to continue to obtain a gradually increasing share of the nation's population from decade to decade. This share in 1950 was 1.7%. By 2020 it should be more than 3%. Compared with California alone, the Bay Area by 2020 will have nearly 20% of the state total.

The Bright Outlook

The Army Engineers' study, in discussing the economic growth of the Bay Area, says: "Review of the rates at which the Pacific Coast states are increasing their share of national population and manufacturing output suggests that, as the current tendency for equalization of population among major regions continues, and the Pacific Coast states acquire an ever increasing share of the U.S. total, there will be an even more marked tendency for the Pacific Coast states to increase their share of the nation's industrial output. It appears evident that this growth will be largely an urban phenomenon. As the second ranking metropolitan area in the West, the San Francisco Bay Area will gain a sizable share of that growth."

HERBERT BRATTER

No visit is complete without a view of Bay Bridge from the "Top of the Mark"



Los Angeles: A Dynamic Area

ROBERT R. DOCKSON

The author is dean of the School of Business Administration, University of Southern California, and consulting economist with the Union Bank of Los Angeles.

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THE period since 1957 has been one of tremendous change for the Los Angeles Metropolitan Area (Los Angeles and Orange County). Since that date, the population of the area has increased more than 700,000, which was just about equal to the increase over the preceding 10 years for such metropolitan areas as San Francisco and Washington, D.C., and exceeded the 10-year growth of such areas as Pittsburgh, Boston, and St. Louis. In like manner, wage and salary workers have been added to the area's payrolls; retail sales reached the \$10-billion level in 1960; commercial, industrial, and residential construction established new records; and the number of cars registered in the area increased more than 350,000, setting a new automobile concentration record of about

As far as the future is concerned. it is expected that the Los Angeles area will continue to experience a rapid population increase. Past trends and past relationships with the rest of the United States indicate that the Los Angeles area will have a population approximating 8,000,000 by 1965; 9,200,000 by 1970; and 10,-500,000 by 1975. In addition to the increase expected in Los Angeles and Orange counties, spectacular growth patterns are also anticipated for Santa Barbara, Ventura, San Diego, Riverside, and San Bernardino. By 1975, the entire southern California market (13 counties) should have a population of around 15,000,000just a little less than the current population of all of California.

The San Fernando Valley, which accounts for over 46% of the square miles of the City of Los Angeles,

more than doubled its population in the last 10 years—a rate of growth greater than twice that of Los Angeles County. In 1950, this sub-area's share of the Los Angeles area's total population amounted to approximately 9% and by 1961, it had risen to 12.5%. The increase in the Valley's population since 1950 accounted for about 85% of the total population increase of the City of Los Angeles.

The future holds tremendous promise for this area. The most significant growth is expected to take place in the relatively undeveloped sections found in the western half of the area, but important population increases are forecast for all of the major segments of the Los Angeles City portions of the Valley.

The Pomona-Foothill area is the large sub-area roughly east of the San Gabriel River in the eastern portions of Los Angeles County. Geo-

graphically, it extends over slightly more than 5.4% of the Los Angeles Metropolitan Area, encompassing approximately 263 square miles.

In 1950, the sub-area's share of the Los Angeles area's total population amounted to about 6%, and by 1961 it had increased to over 9%. The increase in population accounted for nearly 15% of the Los Angeles area's increase since 1950.

Although it is difficult to forecast the industrial development of the Pomona-Foothill area because much of what happens in the future will depend upon the interests of individual cities, it is not difficult to predict significant population increases over the next 15 years.

The third major sub-area within the Los Angeles Metropolitan Area that holds great promise for substantial increases in population is Orange County. The county, which has some

Downtown Los Angeles, setting of the 1956 A.B.A. convention

LOS ANGELES CHAMBER OF COMMERCE



of the mildest and most equable climate in the United States, borders the Pacific Ocean and consists of 797 square miles located directly southeast of Los Angeles County. In 1950, the population of Orange County numbered 216,000 and it is estimated that by April 1961 it had increased to 764,000-a 254% increase over the period. In 1950, the county's share of the population of the Los Angeles area amounted to nearly 5%; by 1961, it had risen to more than 10%. The population increase of Orange County during the Fifties accounted for about 21% of the total increase of the Los Angeles area.

The future of Orange County is as promising as any in the United States. The area is an excellent place in which to live. The growth of the majority of individual communities since 1950 has been at an almost incredible rate,

Employment in the Los Angeles Metropolitan Area

The rapid increase in the Los Angeles area's population has had an important impact on the structure of the area's employment. As population increases, more employment becomes necessary in the consumeroriented industries—more people must be housed, fed, clothed, and serviced. As long as aggregate income does not fall drastically, an increase in employment in the consumer goods and service industries can be anticipated.

A comparison of the behavior of total nonagricultural employment in the Los Angeles area with that of the nation during the recent contracting and expanding phases of the respective economies shows that total nonagricultural employment in the Los Angeles area follows the same general pattern of national employment, but that the severity of a downturn is less in the local area, while the rate of recovery is greater.

The fact that the Los Angeles Metropolitan Area's population is increasing at a faster rate than the rest of the nation indicates that certain types of local employment should maintain a relatively stable pattern during swings in the business cycle. For instance, in both downturns of 1957-1958 and 1960, contract construction employment in the nation dropped substantially more than it did in the Los Angeles area. Also, during the intervening recovery of

1958-1960, the local area had a greater percentage increase in this type of employment than the total economy. Also, the record clearly shows that manufacturing employment in the Los Angeles area behaves relatively well, compared to the nation, during cyclical fluctuations of the economy. The rapid increase in manufacturing employment after the downturn of 1957-58 and after the mild downturn during 1960 lends support to those who contend that the Los Angeles area is a strong, flexible economy in spite of the supposedly heavy emphasis on employment in the defense industries.

Manufacturing Employment

From 1950 through 1960, manufacturing employment in the Los Angeles Metropolitan Area increased 86% compared with 8% in the nation as a whole. According to the California Department of Industrial Relations, the number of wage and salary workers in manufacturing climbed from an average of 422,400 in 1950 to about 788,200 in 1960.

Over the decade, the increase in manufacturing employment in the Los Angeles area amounted to more than 27% of the national increase.

Total manufacturing employment in the Los Angeles area expanded nearly 8% from 1958 through 1960 in spite of the 14.5% decrease in the aircraft and parts industry. This growth is positive proof of the area's ability to expand in the face of a sharp curtailment in the activities of its major industry.

Future Manufacturing Employment

It is reasonable to assume that as time passes the structure of employment in the Los Angeles area will tend to become more like the total economy than like the highly industrialized cities of Detroit, Pittsburgh, or Chicago. If this does come about, it can be expected that over the next 10 to 15 years each manufacturing job in the Los Angeles area will support more persons than currently and that the share of total nonagricultural employment in manufacturing will tend to decline, conforming to the pattern found in the nation.

Projections indicate that the Los Angeles area will need to furnish approximately 3,500,000 nonagricultural jobs by 1975. This figure is about 1,200,000 more than was available in 1960, and it should be thought

of as the number of additional persons that will need to be employed. The number of additional jobs that will have to be generated in the community in order to achieve the growth projected will need to be considerably higher due to automation and other improvements. The number of persons employed in manufacturing must increase approximately 332,000—or 42% above 1960—if the area is to maintain a healthy share of its total employment in the manufacturing industries.

Conclusion

Many of the problems confronting the Los Angeles Metropolitan Area are of an acute nature that need an early solution if the growth projected is not to be curtailed. The area is on the verge of being strangled by congestion caused by the movement of people from one location to another, Traffic problems need to be placed at the top of the agenda of every appropriate civic and governmental body. Many of the older sections of the area suffer from neglect and deterioration. The problem of urban redevelopment is of great significance in these older communities.

The problem of industrial expansion and diversification calls for careful study and a bold aggressive plan of action if an adequate number of jobs are to be created in the next 15 years. Markets of local industries must expand both domestically and worldwide; consequently, these matters also require immediate attention. Other problems such as smog, an adequate water supply, dissimilar laws and governmental policies of the various communities, parking, adequate community leadership, additional revenues to supply the area with the proper public services, and alternate possibilities of the use of available land urgently demand attention and cry out for solutions.

This listing of a few of the major problems facing the Los Angeles area indicates that there are all kinds of opportunities for one to make a significant contribution to the growth of the area. Challenges exist on all sides and, although the basic forces operating within the community are such that expansion over the next 15 years seems assured, it is the citizen's acceptance of these challenges that will determine the extent of that expansion and will determine the economic health of the community.

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EQUIPMENT—Keystone of Modern Banking

A Display No Banker Should Miss

For nearly a quarter of a century BANKING has sponsored educational displays of bank equipment and services at the annual convention and other important A.B.A. meetings. These exhibits are a complete, practical education in up-to-date banking methods

LESLIE WALLER

PROBABLY the first important change in the history of banking equipment and services was when some thoughtful Babylonian corn factor stopped keeping his accounts on a notched stick and began writing them on a clay tablet.

Although that was a good 50 centuries ago, one needn't dig that far back in the files to locate important and meaningful changes in the services banks provide and the equipment they use to provide them. As a matter of fact, less than 25 years will do.

The First Exhibit

For it was just about a quarter of a century ago, at the 64th annual convention of the American Bankers Association, that makers of equipment first began to exhibit their wares to the banking fraternity. The place was Houston, where bankers from all over the country had gathered to discuss the problems and concerns of their profession, and to view the latest in banking equipment.

Even in those days, with the nation still struggling out of the Great Depression, with war rampant in Spain and tensions mounting under Hitler's territorial demands, the future shape and scope of American banking could be discerned in the items offered for inspection at Houston.

It was much later, at the 1951 convention to be exact, that bankers agreed on a kind of checklist of modern banking, a set of criteria against

which each new service and piece of equipment, each change in routine and organization, was to be measured. They were of one mind that such services and equipment:

- Increase customer services
- Reduce operating expenses
- Cut down on clerical errors
- Decrease manual operations
- Reduce employee fatigue
- · Appeal to operating personnel
- Increase general efficiency
- Improve customer relations
- Produce more accurate records

But long before that list had been compiled, the bankers at Houston got a preview of what the "brave new world" of banking would look like.

A Concern for People

The two exhibits that seemed most likely to point the way to far-sighted convention delegates were those concerned with air conditioning and with the photographic retention of records in permanent form. The first indicated a growing concern on the part of management with the physical well-being of its customers and employees, a concern that manifested itself in the fact that banks in general helped lead the way toward the present widespread use of air conditioning in urban office buildings.

The second concept, that of reducing records for compact storage, augured several things to come. It indicated a sharp concern over accurate record retention in a form that al-

lowed easy access; it also indicated that even in those economically depressed days, the vision of a dramatic and constant increase in banking volume, an increase that would long ago have rendered older record-retention concepts invalid, was already in the minds of the nation's bankers.

A variety of other equipment and services were exhibited, including new kinds of personal loan systems, dictating machines and—again the interest in customer and employee welfare—more efficient electric lighting. Manufacturers of counter pens, suppliers of marble and granite facades, of a variety of business stationery and forms . . . all these were represented, as they have been at other national meetings of the ABA since 1938. It is interesting to note, in passing, that no one had yet, in that



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day and age, conceived of a bank with any but a marble or granite facade.

It was at this first exhibit in Houston that one business equipment manufacturer lifted the veil on yet another important development. A simple announcement told the banking fraternity that an automatic punch-card accounting system was now available for account analyses, anticipated income schedules, and a host of other uses.

Added Attraction

At the same convention, too, bankers were shown a proof machine that endorsed, sorted, listed, and proved checks, more or less automatically, but under the careful manipulation of an attractive young lady.

At Houston, in 1938, the first intimations of two other major banking activities were seen. In the pages of BANKING for its convention issue a foreign government was offering its services in selling American tourists overseas currency, an indication however slight of the future boom in travel abroad. A second significant service was that of a firm whose business it was to prepare and maintain window and lobby displays, one of the mainstay items in every bank's future program of community and customer relations.

One Year Later

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When the A.B.A. convened its 65th annual meeting at Seattle in 1939, the European war had already broken out. England and France were committed to war against a Germany that had just marched into Poland. Once again, equipment was exhibited. And once again the shape of a future that might now have to be postponed could clearly be seen. Of special note to bankers were two items that contributed immensely to employee comfort and customer well-being: acoustical ceiling material to absorb noise and fluorescent lighting fixtures to spread an even, shadowless illumination.

By 1940, our nation's role as the "arsenal of democracy" had begun to lead banking into areas where its previous participation was now dwarfed by a sudden increase in service. Prominent among exhibitors and advertisers were warehousing firms that provided increased facilities for commodities

That convention in Atlantic City was to be the last held in a year of peace for the United States. The following year, at Chicago, the annual meeting concluded scarcely two months before Pearl Harbor and our nation's entry into World War II. It is interesting to note that even as the banking industry girded itself to meet the wartime challenge, it was displaying that important sense of anticipation so necessary to longrange planning.

A Change in Appearance

It was at the 1941 convention, for example, that electric typewriters drew a highly interested audience among visitors to the exhibits. But perhaps even more significant, at least to the public's outward view of banking, was the fact that for the first time manufacturers were suggesting that major areas of a bank's facade be of the recently developed tempered plate glass.

It should be noted here that this 1941 convention, like those that had

were discernable to delegates. In 1943, at New York City, manufacturers of business equipment were more concerned with the conservation of existing machines then in operation, since new equipment was not being made. A company that had once made posting machines, for example, might now be turning out artillery computers. Its advertising message to American banking was couched in terms of making do with the equipment at hand, of getting the most out of it, and of keeping it in top running condition.

Wartime Effects

At the wartime conferences, travelers checks began to get increased attention as a logical answer to families at home that wanted to send funds to servicemen in faraway places. The aircraft industry, bursting out of its swaddling clothes with one heroic effort, was beginning to



preceded it, offered many other items for the consideration of delegates. The bread-and-butter equipment of banking—the file cabinets, adding and posting machines, safes, investment and mortgage services, clocks, counters, coin sorters, check cancelers, and counter cards—were all being displayed in traditional and new forms. For, no matter what lay ahead for banking in the immediate war or the future peace, certain routines were too well established to be forgotten.

During World War II, when the A.B.A. held two "Wartime Conferences," a number of interesting trends

point to itself as a prime industry, ripe for investment, sound for financing.

At Chicago, in 1944, when the second wartime conference took place, copying machines were among the labor- and time-saving devices being considered by bankers. Even then, long before anyone could predict the end of the war, the attention of the banking fraternity was being called to future national problems. Among these was a massive updating of home and office electrical wiring to accommodate the anticipated increase in use of power, and a thoughtful appraisal of industrial plant relocation

in the wake of improved transportation methods.

Although 1946 was a year of peace, when the A.B.A. met for its first postwar convention the outline of American banking's future role was still taking shape. But the bankers who convened for the 72nd annual meeting had been prepared, by years of planning, for what lay ahead. Although no one could yet paint an accurate picture of the tremendous increase in public demand for banking services that was shortly to come, the signs were clear.

Postwar Developments

The ending of war was followed by a sharp rise in the birth rate which, in turn, dictated a dynamic boom in housing starts. The need for automobiles to replace war-worn veteran models, the need for major appliances, for increased building of everthing from schools to supermarkets—all of these developments stood in the wings, waiting for their cue to enter the economic scene.

It comes as no surprise, in retrospect at least, to note that the 1946 convention at Chicago emphasized to delegates the services of appraisal firms, of credit indemnity companies, and of instalment credit systems, hallmark services of the years to come in which the personal credit needs of the nation would soar beyond predictable levels—predictable by prewar standards, at any rate.

The business machinery itself, as brought to the attention of bankers in 1946 and, again, in 1947 at Atlantic City, seemed headed in much the same direction as the needs of the economy. Faster operation was a keynote of the new machines. Multiple duty was another attribute. Between the two it was clear to see that the coming upsurge in volume and diversity of banking services would be paced by equipment capable of handling the job.

In the 1946-1947 period, too, thrift began to register in a concrete fashion. Special purpose savings accounts—for Christmas gifts and for vacations—were being considered by bankers on a scale unprecedented in their past experience. With the accounts went a full program of promotional material and the necessary coupon booklets and record-keeping forms. At the same time, and for much the same reasons, school savings material of various kinds was

also brought to bankers' attention. In another area of customer service, the special checking account, manufacturers of imprinting equipment made themselves known through exhibits and advertisements.

But of all the changes in services and equipment that took place in the postwar years, none could match for sheer variety the advent of the premium manufacturers, whose colorful and useful items helped banks attract new business in ever increasing volume.

Hand in hand with the change in banking's basic concept—that banks must now go out and meet the cusvocabulary in which marble and granite were items of decoration only, not the basic structural materials they once were.

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Aluminum, pre-stressed concrete, plastic laminates, insulating windows of immense size, curtain-wall construction techniques, decorative plywood paneling, plastic floor tiling, foam cushioning covered by synthetic leather-like substances, imported woods for decorating accents, hardboard coated with colorful baked enamel, single-story buildings, vast on-site parking areas, drive-in windows, television lounges, recessed lighting moderated by louvers, open



tomer, rather than wait for him to walk in the front door—a whole host of premium items were presented for the approval of the industry. They ranged from coin banks to fountain pens, from diaries to wallets, from bathroom scales to frying pans, from electric clocks to desk sets, from lamps to pressure cookers, and from soup plates to nut dishes. As various as were the burgeoning needs of the American consumer, so too were the ways in which his banks attracted his use of services.

The Needs Multiply

But the consumer's needs were growing more complex, too. As the population grew and the housing boom tried to keep pace with it, urban populations spread into outlying areas. Suburbia came into its own and, with it, the new mobility of the motorist-housewife, her day filled with homemaking duties that took her far from home.

Banks began to seek and get permission for branch offices in outlying suburbs. With the construction of these new buildings, a kind of revolution in banking architecture took place. Succeeding conventions of the A.B.A. were exposed to the new vocabulary of that new architecture; a

teller lines without a wicket in sight, banking platforms open to passersby, the use of advanced modern sculpture and art in decoration, designated areas for cultivated greenery—all these and many more were the hallmarks of the architectural revolution in banking.

And it was a revolution that quickly spread backward, so to speak, from branch offices to main buildings. Manufacturers and suppliers of all these new materials, designers and planners of all these new facilities, joined to bring the message of the new freedom in bank architecture to succeeding conventions. As in previous years, bankers saw the exhibits, read the advertising and took the message very much to heart.

Operational Changes

That they immediately responded to such ideas is not due simply to the fact that a change was needed because of new branch office construction. The change itself was an outward reflection of an internal change both in the quantity and quality of customer services being rendered. Many banks found it unnecessary to make drastic architectural changes. But virtually all banks were in the throes of operational changes that de-

manded, and got, new equipment and facilities.

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As the postwar years progressed, the number, volume, and speed of these new operations mounted. The new, mobile society being developed by the American people required an increase in checking account facilities. Savings accounts multiplied in number and type, including a sharp increase in joint and trust accounts, and, as we have seen, in special purpose accounts of less than 12-month duration. Banks did a thriving and fairly unremunerative business in selling and cashing Government savings bonds. The safe deposit box began to make a lot of sense to the average family; banks quickly met the new need. Personal loans proliferated in type and purpose. Changes in mortgage lending offered new possibilities to home owners who took advantage of open-end provisions. As time deposit interest rates rose and played a more leading role in competitive solicitation of accounts, banks began to compound interest at more frequent intervals, calling on mortgagors and to other borrowers.

All these, and the many other services which banks now perform for their private customers, required major investments in new equipment, new systems, and new promotional approaches. From year to year, as bankers met for the A.B.A.'s annual convention, the number and diversity of firms supplying necessary equipment and services mounted, as did the exhibits through which they told their story to the banking industry. For every new banking service added, not only was more equipment necessary, but physical expansion to encompass the new service frequently demanded substantial plant investments in items like elevators and escalators. Banks were supplying additional service to their employees as well, in the form of lunchrooms, lounges, retirement and health plans, and the like.

Promotional Changes

From the promotional viewpoint, other changes were taking place. No longer were the bank's windows



newer equipment to facilitate this change. With the general increase in disposable income, bank officers were called on more and more for investment advice to customers, leading eventually to increased work for trust departments. The postwar travel boom, slow to start and quick to develop, brought with it a marked rise in the sale of travelers checks and the issuing of letters of credit for use abroad. The widespread interest in personal and family security, as manifested in increased life and property insurance, health and medical benefit plans, etc., soon saw the banks offering payment insurance to

drawn and darkened at 3:00 in the afternoon. Not only did banking hours increase, but exterior illuminated signs, clock, and temperature indicators lighted the night sky long past closing time. Recorded music filtered pleasantly through the lobby during the working day. Bank personnel grew adept at staging flower shows, art exhibitions, and handicraft shows, with their concomitant need for special lighting, platforms, seating capacity, etc.

The role that individual bankers once played as leading members of their community was now augmented by an organizational approach to community relations. Banks offered their public rooms for special events. Banks created speakers' bureaus and sent emissaries to address local meetings of civic groups, service clubs, women's organizations, parent-teacher associations, and the like. Banks found themselves producing short films or distributing films produced by banking organizations. And, as a bank's community relations grew, so did its advertising and public relations work.

The Exhibits Broaden

Advertising agencies introduced themselves to the banks at succeeding A.B.A. conventions and quickly demonstrated how their abilities could help the bank secure new business. All the known advertising media were now in constant and consistent use by banks, including newspapers magazines, radio, television, outdoor signs, car cards, matchbooks, direct mail, and point of purchase. Banks began to "tie-in" with other services, with civic events, with local merchants.

As banks grew in size, internal publications kept employees abreast of recent developments and the bank house organ came into being. With the use of high speed addressing and mailing equipment, banks could now plan regular promotional mailings to go with official notices. Determined to keep in direct touch with the rapidly developing world around them, banks were installing news teletypes, staging new car shows, exhibiting the latest in boating and marine equipment, in household appliances, in home construction, interior decoration, fashions, and gardening. The need for outside services, consultants, and equipment grew with each advance in promotional technique.

At the same time, in keeping pace with the private individual's banking needs, our industry was also adding new services of benefit to commercial and industrial customers. Chief among these, in addition to the added volume of business and building loans, was the variety of payroll facilities now being made available to nearby and outlying offices and plants.

Still More Services

Banks were performing paymaster services not only for the employees of a customer who worked at a fixed location, but also for those scattered throughout the area, such as construction workers on a job site. These services eventually came to include in-plant banking facilities and other on-the-job services performed by the bank, complete with payroll savings and other special deduction features.

Instalment credit systems were offered to retail merchants and rapidly became one of the most popular services of the postwar era.

Finally, on the wave of national credit card plans, banks too offered this service in their own name to a wide variety of retail and service outlets. This one operation alone, in relieving retailers of the paperwork of credit plans, represented major investments by the banks in their own bookkeeping systems, the plastic or metal credit cards themselves, counter machines for imprinting card numbers, informational booklets and listings, point-of-purchase promotional signs, and decals, advertising, and so on. The retail charge account concept was also adapted to banking, through the use of revolving credit plans, made possible by new advances in accounting equipment speed and accuracy.

Keystone for Progress

If anything was the keystone on which the postwar banking industry built its arch, it was and is new de-

velopments in equipment for data processing, clearing, proving, storage, and retrieval. Rapid travel by air has speeded inter-city transactions. Magnetic ink routing language has further speeded the clearing of items. But the machinery itself that processes and retains this information is the most formidable ally banking has in its program of supplying increased services. Operating from punched cards and tape, later from magnetic tape and drums, "reading" inked symbols, possibly scanning them optically, these machines made many advances possible.

New Fields Opened

Not only have they removed drudgery and boredom-with its danger of error-from the daily work of the employee, but modern equipment has also shortened transaction time for customers, reducing waiting time, cutting down on lines, creating an increasingly more pleasant experience in surroundings already made physically attractive. From the viewpoint of internal management, the ability of these machines to store and feed back information at lightning speeds and with increased accuracy opens vistas of efficiency never before thought attainable. The firms that developed and now manufacture this equipment have, in recent

years, been among the leading exhibitors at A.B.A. conventions, where on-the-spot demonstrations supplemented by well-planned advertising programs prove the value of the equipment more convincingly than any other educational method.

The association between banker and equipment manufacturer, between banker and supplier of a service, has down through the years of A.B.A. convention exhibits become something in the nature of a working partnership, with a third member of the association as a silent partnerthe bank customer.

The Mutual Benefits

What the customer needs, the banker works to supply. This has always been his prime motive in seeing what exhibitors have to offer. At the same time, in conversations with exhibitors, he expresses his future plans for meeting customer needs. comments constructively on past performance of equipment and in this way educates the manufacturer or service organization to present and future requirements. Conversely, when technology and science have made new equipment possible, it is through A.B.A. convention exhibits that the manufacturer brings his news to the banking fraternity, in person.

DIRECTORY OF EXHIBITS

(Figures in parentheses indicate booth locations)

APF INDUSTRIES, INC.	
100 Leroy Avenue	
Buffglo 14, New York	(227)
Modular Bank Counter Systems	,==-,
modelar bank coomer systems	
ATU PRODUCTIONS, INC.	
130 West 57th Street	
New York 19, New York	(415)
Animated Film Television Comm	
Ammurou Time Television Comm	0101013
ABBOTT COIN COUNTER CO., INC	
Riverdale Avenue, P.O. Box 1341	
Greenwich, Connecticut	(324)
Coin Handling Equipment, Bank	
com mananing Equipment, bank	Johnies
ADDDESSOCDADU MUNTICDADU CO	HOLTAGOGG
ADDRESSOGRAPH-MULTIGRAPH CO	RPURATION
Cleveland 17, Ohio	(511-514)
Magnetic Ink Character Recognit	
	lion
Systems	
ADVERTISERS PUBLISHING COMPA	NY
Publicity Park, 944 Wall Street	
Ann Arbor, Michigan	(420)
Family Budget Books, Advertising	9
Specialties	

ALLIED ASSOCIATES 110 Cummington Street	
Boston 15, Massachusetts	(203-204)
Golden Car Key Promotion	al Programs

227;	AMERICAN AIR CURTAIN (Division of Universal Match Corporation	1)
228)	472 Paul Avenue St. Louis 35, Missouri "Air Curtains—the Doorless Door!"	(523
415)	THE AMERICAN BANKERS ASSOCIATION 12 East 36th Street	
,	New York 16, New York Services of A.B.A. Departments	(209
324)	AMERICAN BUILDING MAINTENANCE CO	
324)		67-A
ON	AMERICAN CREDIT INDEMNITY CO. of N	.Y.
514)	300 St. Paul Place Baltimore 2, Maryland Commercial Credit Insurance	(202
	AMERICAN PHOTOCOPY EQUIPMENT CO.	
420)	Evanston, Illinois Photocopy, Binding, Laminating Equipment, Supplies	(67)
	AMERICAN SIGN & INDICATOR CORPORA	TION
	East 808 Sprague Spokane, Washington (52)	7-528

Double TT Time and Temperature

Displays

ASTRO MANUFACTURING, INC. 23819 Groesbeck Highway East Detroit, Michigan Guided Missile, Plan-It Coin Banks		(611)
BANK BUILDING & EQUIPMENT CORP	ORAI	ION
OF AMERICA 1130 Hampton Avenue		
St. Louis 10, Missouri (220 Recently Completed Bank Building Projects	and	306
BANKERS UTILITIES CO., INC. 915 Linden Avenue South San Francisco, California Home Savings Banks		'323
BANTHRICO INTERNATIONAL, INC.		
17 North Desplaines Street Chicago 6, Illinois Coin Savings Banks, Nameplates,		(414)
Signs		
BELL TELEPHONE SYSTEM		10.4
Local Bell Telephone Companies Data-Phone Service, Business Machine Communications	(423	-424
BLOCK & CO., INC. 350 West Ontario Street		
Chicago 10, Illinois		(321

Coin Handling Equipment,

BRANDT AUTOMATIC CASHIER COMPANY

Brandt Coin Handling Machines

Directional Signs

515-517 South First Street Watertown, Wisconsin

(327-328)

(321)

	IBM CORPORATION		RECORDAK CORPORATION 415 Madison Avenue	
1971 Coronel Avenue	590 Madison Avenue New York 22, New York Data Processing Systems	(615-616)	New York 17, New York Conventional and Electronic	(215-217)
			Microfilming Systems	
3312 South Western Avenue	THE INTERNATIONAL SILVER COMPAN 500 South Broad Street Meriden, Connecticut Stainless and Silverplate	(311-312)	REPUBLIC NATIONAL BANK Dallas, Texas "Republic National Bank Travelers Checks"	(218-219)
Pittsburgh 22, Pennsylvania (012-014)	Flatware, Holloware GEORGE LA MONTE & SON 299 Kingsland Road Nutley 10, New Jersey Safety Paper for Checks	(320)	SANTA CLAUS PROGRAMS, INC. 601 North Alvarado Street Los Angeles 26, California Promotional Programs	(221-222)
CORRECT TABLE SERVICE INSTITUTE INC. 230 Fifth Avenue New York, New York Savings Incentive Programs (416-417)	LeFEBURE CORPORATION Cedar Rapids, Iowa Bank Systems and Equipment	(223-225)	SCHULMERICH CARILLONS, INC. Carillon Hill Sellersville, Pennsylvania Bells, Carillons for Community	(610)
CUMMINS-CHICAGO CORP. 4740 North Ravenswood Avenue Chicago 40, Illinois (501-504) Original Document Processing Equipment	LIVING COLOR TRANSPARENCIES, INC 296 N. E. 67th Street Miami, Florida Window and Lobby Transparency Displays	(601-602)	Relations SECURITY SAFE DEPOSIT BOX CORP. 11933 Beach Boulevard Stanton, California	(228)
CURRENT AFFAIRS FILMS 527 Madison Avenue New York 22, New York (206)	MACTON MACHINERY COMPANY, IN Dyke Lane Stamford, Connecticut	C. (208)	Aluminum, Steel Safe Deposit Box THE SERVICE BUREAU CORPORATION (A Subsidiary of IBM)	
School-Bank Public Relations Program DELUXE CHECK PRINTERS, INC. 2199 North Pascal Avenue St. Paul 13, Minnesota (517)	Turntables for Drive-In Banking Facilities MAP CORPORATION OF AMERICA		425 Park Avenue New York 22, New York Electronic Demand Deposit Accounting System	(418-419)
Personalized and Business Bank Checks DIEBOLD, INCORPORATED	316 Summer Street Boston 10, Massachusetts City Street Maps and Guides	(205)	SERVICE PRODUCTS COMPANY 3230 South 40th Street Lincoln, Nebraska	(510)
Canton, Ohio (315-319) Drive-Up, Counter, Protection	MINNESOTA MINING & MANUFACTU	RING CO.	Customer Personal Cancelled Che	
Equipment, Motorized Files DOMORE OFFICE FURNITURE 2400 Sterling Avenue	900 Bush St. Paul, Minnesota "Thermo-Fax" Copying and Microf Products	(325-3 2 5) ilm	SHAW-WALKER COMPANY 405 Lexington Avenue New York 17, New York Bank Counters, Furnishings and	(505-506)
Wood and Steel Office Furniture (66)	MONROE CALCULATING MACHINE C	O., INC.	Equipment	
DOW JONES NEWS SERVICE 44 Broad Street New York 4, New York (60)	Grange, New Jersey General-Purpose, Solid-State Electronic Computer	(524-526)	STANDARD MANIFOLD CO. 333 West Lake Street Chicago 6, Illinois Carbon Paper "White Glove Clea	(608)
Dow Jones Instant News Service ELNAR, INC. (Division of Cole National Corporation) 292 Fifth Avenue New York 1, New York (425-426)	THE MOSLER SAFE COMPANY 320 Park Avenue New York 22, New York Protection and Information Proces Equipment	(518-520) (604-606) sing	STOW & DAVIS FURNITURE COMPA 25 Summer Avenue, N.W. Grand Repids 2, Michigan Office Furniture, Interior Planning Services	NY (313-314)
Golden Key Program—Traffic Builders ENCYCLOPAEDIA BRITANNICA San Francisco, California (322 and 603) Encyclopaedia Britannica, Britannica	N.A.D. USED CAR GUIDE CO. 2000 K Street, N. W. Washington, D. C. N.A.D.A. Guide	(308-309)	THE TELEREGISTER CORPORATION 445 Fairfield Avenue Stamford, Connecticut Telebank On-Line Electronic Servi	(64-65) ce
Research Service EVINRUDE MOTORS 4143 North 27th Street Milwaukee 16, Wisconsin New Designs for Boating Pleasure (B, C, D)	THE NATIONAL CASH REGISTER CO. Dayton 9, Ohio Electronic Sorting and Processing Equipment	(401-411)	Centers Demonstration THRIFT BUILDERS INC. 230 Park Avenue New York 17, New York Name Brand Savings Account Pr	(421-422) omotions
FEDERAL SIGN AND SIGNAL CORPORATION 136th and Western Blue Island, Illinois (515-516) Outdoor Electrical Signs and Clocks	NATIONAL DECORATORS SUPPLY CC 318 North Illinois Street Indianapolis 4, Indiana Christmas Display Materials and Ideas	(507-509)	THRIFTICHECK SERVICE CORP. THRIFTIMATIC CORP. 100 Park Avenue New York, New York Imprinter-Coders, Custom Check	(412-413)
FINANCIAL DISPLAYS, INC. 276 N.E. 67th Street Miami, Florida (301-302) Custom-Tailored Window and Lobby Posters	THE NATIONAL PRESS (Magnetic Printing Division) 850 Hansen Way Palo Alto, California	(62)	TRANS-LUX CORPORATION 625 Madison Avenue New York 22, New York	(61)
FINANCIAL PUBLISHING CO. 82 Brookline Avenue Boston, Massachusetts (607)	MICR Control Documents NATIONAL REJECTORS, INC.		Projection Equipment UNIQUE COIN SERVICE, INC.	
Financial Tables, Amortization Schedules, Charts	(Division of Universal Match Corpor 5100 San Francisco Avenue St. Louis 15, Missouri Currency Changers, Automatic	(521-522)	House of Straus, Inc. 166-170 West Washington Street Chicago 2, Illinois Savings Programs, Coin Banks,	(310)
FINANCIAL SELLING AIDS, INC. 1422 North 4th Street Milwaukee 12, Wisconsin Point-of-Sale Advertising Displays	Deposit Acceptance Devices PEPSI-COLA COMPANY		Folders, Premiums WASHINGTON STATE DEPT. OF CO	MMERCE
FOUNDATION FOR COMMERCIAL BANKS Philadelphia National Bank Building Philadelphia 1, Pennsylvania National Advertising for Commercial	500 Park Avenue New York 22, New York Complimentary Pepsi for All Delegates	(201)	AND ECONOMIC DEVELOPMENT General Administration Building Olympia, Washington Washington State Industrial Dev Material	(304-305) elopment
Banks GENERAL ELECTRIC COMPUTER DEPARTMENT 13430 North Black Canyon Highway Phoenix, Arizona (68-69) GE 12-Pocket Document Handler	R. L. POLK & CO. 130 Fourth Avenue, North Nashville 3, Tennessee Bank Directory, Business Develops Promotion	(307) ment,	WASSELL ORGANIZATION, INC. 225 State Street, West Westport, Connecticut Filing and Coupon Cutting Equi	(427-429) oment
GREAT BOOKS OF THE WESTERN WORLD Chicago, Illinois "A Lifetime Program of Liberal Education"	RAND McNALLY & COMPANY P. O. Box 7600 Chicago 80, Illinois Printers, Publishers, Mapmakers, and Manufacturers	(226)	THE WESTERN UNION TELEGRAPH 742 Market Street San Francisco, California Plan 115-A Automatic Teletype System Facsimile	COMPANY (A)

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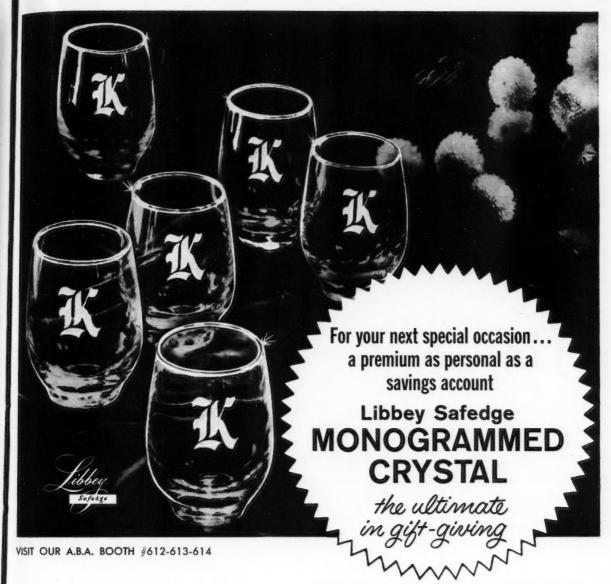
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Larkin Street Entrance

THE AMERICAN BANKERS ASSOCIATION

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This new premium gift has the special advantage of personal appeal. Each sparkling glass is monogrammed in distinctive "Heritage" lettering and is ceramic-fired to last a lifetime. The superb quality, the classic simplicity and the personalization make Libbey monogrammed glassware a desired gift.

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"Not only do we serve each client faster, we reduce the bank time required for the transaction. There's a distinct benefit on both sides of the teller's window, a benefit multiplied many times over, since more than a third of all our Travelers Cheques sales are pre-packaged sales." Interested in the timesaving, profit-making advantages of Pre-packaged Travelers Cheques? For further details or supplies, write to Mr. James A. Henderson, Vice President, American Express Company, 65 Broadway, New York 6, New York.



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